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Britain to Reduce Exchange Controls

By PAUL EINZIG

Dr. Einzig Points Out That in Order to Comply With Terms of the American Loan and to Implement the Requirements of the Bretton Woods Plan, It Is Necessary to Alter Extensively Present British Exchange Controls. Holds It Will Be Extremely Difficult to Enforce Restrictions on Capital Transfers, but That Problem Must Be Tackled Before Sterling Can Be Made Convertible and That British Government Must Guarantee Exchange Rates to Importers and Exporters if Trade Is to Expand.

Paul Einzig

LONDON, ENG. — Having accepted the Bretton Woods plan, and having agreed that the transitional period for its full application should be reduced from five years to 12 months, the Government is taking steps to prepare its application. To that end it is necessary to make extensive alterations in the system of exchange control. That system was considered reasonably watertight

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Index of Regular Features on page 168.

What Price—Unrealistic Price Control?

By ROBERT A. SEIDEL*
W. T. Grant Co.

Mr. Seidel Accuses OPA of Following Unrealistic, Theoretical and Unfair Approaches to Pricing Problem. Scores OPA Administrator Bowles' Optimism and Asserts OPA Is Working Against Rather Than for the Consumer. Says Prices Are Not Being Kept Down and Gives Example of the Fallacy and Inequity of the "Cost Absorption" Principle by Producers and Distributors. Holds All Industry Finds Itself Out of Step With Bowles and Urges Retailers to Act in Order to Return to Normal Business Conditions.

OPA served a useful purpose during the war. Price controls were necessary. Retailers favored them. Some controls are still necessary, and retailers favor continuing these for the time being.

Robert A. Seidel

However, as a group, we must oppose and resist all inflationary controls, particularly:

Controls that retard production.

Controls that force quality deterioration.

Controls that force items out of production.

Controls that encourage subterfuge.

Controls that hamper reconversion.

Controls that raise the cost of living.

Controls that keep us from doing our job.

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*An address by Mr. Seidel at the 35th Annual Conference of National Retail Dry Goods Association, New York City, Jan. 7, 1946.

(Continued on page 156)

Business Outlook for 1946

By SUMNER H. SLICHTER*
Lamont University Professor
Harvard University

Dr. Slichter Predicts a Considerable Increase in Civilian Goods Production in 1946 and Attributes Favorable Reconversion Situation to: (1) Maintenance of High Levels of Income; (2) Record Breaking Retail Sales; and (3) Maintenance of a High Level of Employment. Holds That Throughout 1946 Demand for Goods Will Exceed Supplies and Lays This Partly to Inadequate Ceiling Prices, Competition for Certain Raw Materials by Producers of Different Goods, and Shortages of Skilled Laborers. Sees Need for More Plant Capacity to Maintain Full Employment and Fears Disorderly Rise in Prices Unless Government Has a Balanced Budget. Favors Retention of OPA "Six Months Too Long," Rather Than Abolishing It Too Soon.

Prof. S. H. Slichter

I. The General Outlook

The year 1946 will be one of many stresses, strains, and worries. There will be much labor trouble and near-labor trouble. Controversies over the policies of OPA will undoubtedly reach new heights. The chief economic problem of the country will be to

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*Address by Professor Slichter before the National Retail Dry Goods Association, New York City, Jan. 7, 1946.

(Continued on page 162)

The Goods-Shortage Situation

By JOHN D. SMALL*
Civilian Production Administrator

Asserting That, Viewed Broadly, There's a Considerable Abundance of Things to Sell, Mr. Small Points Out Reasons for Acute Shortages in Certain Lines. Refutes Charge That Some Shortages Are Due to "Withholding" to Avoid Excess Profits Taxes, and Lays Blame on Unprecedented Demands, Strikes and Other Production Interruptions as Well as Fear of Inflation. Supports OPA's System of Price Controls as Preventing Skyrocketing Prices and Describes the Efforts Made by CPA to Increase Production of Seriously Short Commodities. Says the "One Single Cure for the Dangers of Inflation and Unemployment Is Sustained All-Out Production."

It might be well to point out that, while the task ahead is difficult because of some shortages, yet, viewed from a broad perspective, there is still a considerable abundance of things to sell, as witness the rise in retail sales this past Christmas.

J. D. Small

However, we are still seriously short of many things we need today and you doubtless would like to know why. There are a number of reasons! For example, during the time that half of our national industrial energy had to be diverted to war it was necessary to stop making a

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*An address by Mr. Small at 35th Annual Convention of the National Retail Dry Goods Association, New York City, Jan. 7, 1946.

(Continued on page 140)

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Truman Places Blame For Reconversion Snags

Says Congress Is Primarily Responsible Because of Failure to Enact Program for Full Production and Full Employment. Blames Also Management and Labor for Not Uniting to Prevent Strikes and Sees Danger From Either Deflation or Inflation if Pressure Groups Prevail and Calls for Indefinite Continuation of Wartime Economic Controls. Urges People to "Prod" Their Congressmen.

President Harry S. Truman on the evening of Jan. 3 delivered his first radio address of the year, in which for a half-hour period he complained bitterly of lack of support by Congress of a program to speed reconversion and full employment, and blamed the national legislature, especially the committees handling his proposed measures, for delays and inaction. He noted in his address the recent widespread increase in strikes in major industries and laid the responsibility not only on labor and management factions, which, the President stated, promised but failed to cooperate with him, but on Senate and House Committees which have shelved his "Fact-Finding Board" and other bills relating to economic and social security. The full text of the President's radio address follows:

President Truman

Fellow Americans:

As you all know, it is the constitutional duty of the President to report to the Congress annually on the state of the Union. That regular report will be made to the Congress soon after it reconvenes.

Tonight I am speaking directly

(Continued on page 147)

A Democratic Party Family Fight

By HON. ROBERT A. TAFT*

U. S. Senator from Ohio

Calling President Truman's Radio Address to People an Attack on the Democratic Party, Senator Taft Denies That Congress Has Been Negligent in Enacting Legislation. Asserts Democratic Party Is Hopelessly Split Between a CIO-PAC Program and a Plan of Progress Under Our Constitutional System of Free Enterprise. Holds Full Employment and Health Programs as Socialistic and Communistic and Accuses President of Ignoring the Costs of His Recommendations. Says Labor Legislation Requires Careful Consideration and Criticizes President's Fact-Finding Bill as Not Preventing Strikes.

Last night, the President of the United States, without waiting for the opening of Congress to comply with the Constitutional requirement that he report to Congress on the state of the Union, appealed to the people to bring every possible pressure to bear on Congress to enact a Truman program of legislation. Former Presidents, even those who were elected President by the people, have not found that a wise or successful method of accomplishing their purposes.

Robert A. Taft

It may be pointed out that Senators and Congressmen have been elected by the people as their representatives to represent their views on legislation, and do not need telegrams from Truman supporters in order to know what those views are.

The President complains that Congress has delayed the measures which he has recommended. This is clearly an attack not on Congress, but on the Democratic Party. There are 50 more Democrats in the House than there are Republicans. In the Senate there are 17 more Democratic Senators. The Democratic Party has completely organized both Houses. It elects the presiding officers. It has chosen all the committees, and there is a heavy Democratic majority on every committee. Every committee chairman is a partisan Democrat selected by the Democratic caucus. The speed with which bills are considered and acted upon by committees is almost entirely in the control of these Democratic chairmen. The Democratic leaders control the procedure on the floor of the two Houses. During the seven years I have been in the Senate, I have never seen an important bill passed which was not introduced by a Democrat. In short, this is not a fight between the President and Congress, it is a Democratic family fight.

Has Congress been negligent or slow in enacting legislation? The President admits that a great number of bills dealing with foreign affairs and other matters have been passed. The Senate and the House have been in almost continuous session until late hours every day considering a vast flood of legislation. I have never seen a time when so much hard legislative work has been done as in the past three months.

It is true that many measures recommended by the President have not been passed. That is because half the Democratic Party and most of the Republicans, and I believe a large majority of the people, disagree fundamentally with Mr. Truman's program and his political philosophy.

Democrats Divided on Program

The Democratic Party is hopelessly split between those who follow the CIO-PAC program on every issue, and those who think progress must be made within the American system of Constitutional Government and free enterprise. At first it was doubtful which way Mr. Truman would

(Continued on page 145)

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*Address of Senator Robert A. Taft, Chairman of the Republican Steering Committee of the Senate, delivered over the National Broadcasting Company, Jan. 4, 1946, 10:45 p.m.

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The Outlook for Interest Rates

By RAYMOND RODGERS*

Professor of Banking, New York University
School of Commerce, Accounts and Finance

Professor Rodgers Attacks the Theory That Low Interest Rates Under Conditions of Expanded Credit Encourages Inflation. Contends That This Theory Is Applicable Only Under a Rigid Gold Standard Which Does Not Now Exist, and That Recent Developments Deprive the Old Quantity Theory of Money of Much of Its Potency. Says Inflation Will Be Difficult Due to Sound International Position of U. S. Money, Our Great Productive Capacity and Our Capacity to Draw Funds From Abroad. Concludes That Interest Rates Have Little Influence on Savings and Capital Accumulation and That Money Market Is in Strong Position.

Raymond Rodgers

"According to the book", interest rates should have gone up in the 1930's when the Government was spending billions more for leaf-raking and boondoggling than it was collecting in taxes. Likewise, interest rates should have gone up during the war when the Government debt reached the great total of one-quarter of a trillion dollars. Again, "according to the book," interest rates should go up, now that the war is ended and financing returns to more normal channels.

There are even economists who write *that if interest rates do not go up they will have to be put up by the Government to prevent inflation.*

Old shibboleths die hard. The fact that interest rates did not behave according to historical theory during the decade before the war and the further fact that interest rates did not behave in orthodox fashion during World War II would appear to be enough to convince any thinking economist that there must be new con-

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*Address by Professor Rodgers before the Savings Bank Bond Men of the State of New York, Hotel Astor, New York City, Jan. 9, 1946.

(Continued on page 136)

The Future of Interest Rates

By DR. FRED R. MACAULAY

Economist, National Securities and Research Corporation

Noting That There Are Two Divergent Schools of Thought Regarding Interest Rates, One Represented by Secretary of Treasury Vinson Which Favors Low Interest Charges and the Other That Favors Higher Rates as a Means of Encouraging Greater Savings and Investment, Dr. Macaulay Holds That, Because of Government Control, There Will Be Little Change in the Level of Either Short-Term or Long-Term Rates in Foreseeable Future.

Dr. F. R. Macaulay

The future trend of interest rates is a subject that at the present time engrosses the attention of investors, corporations and the Government to an unprecedented degree.

As everyone knows, World War II has been financed by the Government of the United States at an interest rate not more than 2½% compared with 4½% for World War I. And this in spite of the fact that the national debt has grown by leaps and bounds, until it is now $278 billions.

Government Control

The vast money needs of the Government — which for several years have been running at the rate of almost $60 billions per year—might have been expected to cause some rise in interest rates But a rise in these rates as applied to a Government debt steadily approaching the $300 billions level would, through refinancing at higher and higher rates, gradually have a most serious effect on the post-war expenditures of the Government.

For some time, therefore, the monetary control authorities have used a complete technique for keeping interest rates low. Among other things, for example, the Federal Reserve Banks established definite low rates at which they would buy Government Bills and Certificates of Indebtedness. This made it possible for the commercial banks to create, when they wished, their own reserves at the Federal Reserve Banks; and, in an attempt to improve the yield on their assets, the commercial banks

(Continued on page 139)

Main Factors in Housing Shortage

By FREDERICK H. ECKER*

Chairman, Metropolitan Life Insurance Co.

Prominent Insurance Official and Housing Promoter Maintains That There Isn't Any Industry in Which Individuals and Firms Are Better Prepared and More Anxious to Carry on Than the Construction Industry. Says Housing Shortage Is of Two Types, Emergency and Permanent, and That Permanent or Long-Term Shortage Is Due Largely to Higher Standards of Living and Home Construction. Lays Difficulties in Remedying Emergency Shortage to OPA Rent Ceilings and Other Regulations, and Points Out Probable Heavy Losses on Temporary Buildings Due to Obsolescence. Holds Many Housing Projects Require No Public Subsidies and Urges Changes in Laws, Policies and Regulations Be Made to Stimulate Building.

Frederick H. Ecker

My subject has to do with housing. I suppose it might also have to do with employment, or construction, if you like. You can't have housing without construction, and in some way or other, one term sort of suggests the other.

Probably all of us here know something about housing, because we have experimental knowledge of it, and are probably inclined to prepare ourselves, design and plan, unless we are married, when perhaps another member of the family more qualified to discuss and criticize the architect's plans than one of us, takes over. It reminds me of an instance where a young, recently married man asked an older friend of his how it was he got along so nicely, quietly, and as far as he could observe, there never were any arguments in the family. The older man said, "Oh, well, we arranged all that 20 years or more ago when we were married. On all unimportant matters it was agreed that my wife would settle any questions that came up. Of course, on any-

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*Address by Mr. Ecker before the Chamber of Commerce of State of New York, Jan. 3, 1946.

(Continued on page 158)

A Self-Appointed Legislature

SEC Decision in Oxford Co. Case Shows Commission Still Pushing Its Pet Hobby of Full Disclosure. New Doctrine Requiring That Dealers Have Physical Possession of Securities Sold Is Assailed. Precedent Attempted Which Would Lay Majority of Dealers Open to Discipline. SEC Invades Trade Custom and Usage and the Legislative Function. Industry Alerted.

A decision has just come down in the Matter of Oxford Company, Inc., in which the Securities and Exchange Commission revoked the registration of the respondent.

Upon examining the Findings and Opinion of the Commission, we are convinced the result is a just one.

The over-all conduct of the respondents smelled to the high heavens, and demonstrated their incontestible unfitness to be registered as brokers and dealers.

(Continued on page 160)

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New Ideas Discussed

By ROGER W. BABSON

Mr. Babson Gives Suggestions for Apparently Insignificant Gadgets and Inventions Which May Offer Opportunities for GIs and Others and Points Out That the Best Opportunities Will Come to Those Who Sell These Things Rather Than to Investors. Sees Chemical Products Enticing.

Roger W. Babson

BABSON PARK, MASS.—At the close of each year I like to go through the various interesting inventions of the preceding year. They always give me inspiration and make me certain that there are opportunities enough for those who will use their heads and legs. I will not discuss atomic bombs or radar or electronics or plastics or other things which have been discussed in the papers and magazines. Rather, I take the apparently insignificant things in the belief that they, in the aggregate, may do much more for individual readers of my column.

Suggestions For GI Men

One of the simplest, and yet may be revolutionary, is the development of confections, cakes and other food products by the use of starch sponge. To jump to the other side of the spectrum, we find the use of fog to put out fires. May I continue without comment: Nonbreakable incandescent lamp bulbs . . . ice boxes with revolving interiors . . . electric switches which work with a delayed action of three minutes . . . windows made of glass strips like venetian blinds . . . new

(Continued on page 138)

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Outlook for 1946: Confusion in a Split Society

By GLENN G. MUNN*

Economist, Paine, Webber, Jackson & Curtis

Analyst Predicts, As "Basic Economic Forecasts," (1) A Record Domestic and International Demand for Peacetime Goods; (2) An Under-Supply Lasting Through 1947; and (3) A New All-Time Peak in the Volume of Deposits and Currency. He Warns of the Strong Political Disunity at Both the World and National Levels. States That We Face a Sharp Conflict Between Free Enterprise and Imminent Socialism, That This Hinders Business Planning, and That We Cannot Continue An Economy Half-Free and Half-Controlled. He Urges That We Emulate Switzerland's Economic and Political Policies.

Glenn G. Munn

At the outset let me state that, in my judgment, there are only three economic forecasts for 1946 which can be reliably and realistically supported: *First*, that the demand for peacetime goods at home and abroad will be greater than ever before; *Second*, that these demands are of such magnitude that they cannot be fully supplied supplied either this year or next; and *Third*, that the nominal volume of bank deposits and currency combined will stand at an all-time peak or about four times that of the year 1929. It does not follow, however, that 1946, whether in production, trade, profits, or stock price trend, will necessarily bear out the favorable auguries implicit in these three apparently secure premises.

Why am I so timid in not carrying the horoscope any further for 1946, or beyond? It is because the economic variations of 1946, as I view them, may not be measurable solely in terms of economic motivation. They must also be considered in terms of disputed rules of the game, some of which are of engrossing novelty. We must reckon with possible changes in our institutions, whether formalized by legislative enactment, or accepted into the pattern of our folk-ways. In other words, what happens in 1946 in the statistical measurements of business may be profoundly affected, especially in such factors as wages, prices and profits, by new variants imposed in the rules of the game.

In the so-called exact, physical sciences, we have grown so accustomed to the precision and uniformity of nature's processes that we no longer bother to state physical laws by means of the neat syllogisms in which they were originally framed. That the pull of gravity on a falling body is at the accelerative rate of 32 feet per second per second is a conclusion, but with this major premise omitted, namely, *if nature be uniform*, that is, performs in the future as in the past. Likewise, that water freezes at 32 deg. F. is a conclusion based on repeated observations showing

(Continued on page 159)

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*Address by Mr. Munn before New York Chapter of the American Statistical Association, Jan 8, 1946.

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Stock Market In 1937 and Today

By RALPH A. ROTNEM

Harris, Upham & Co.

Stock Market Analyst Points Out the Present Favorable and Unfavorable Factors for a Continued Rise in Stock Prices, as Compared With 1937, Another Bull Market Year, and Although Stating It Seems Likely That the Market Will Sell Higher in Next Few Years, He Urges That as Prices Advance, There Should Be More Caution and Discrimination in Buying.

This is the third time in history that stock prices have reached present levels (190-200) for the Dow-Jones Industrial Average. The first occasion was in 1927. At that time, the rise in prices had lasted for 50 months, and the average had climbed 120%. The market hesitated for six months and then continued its uptrend for another year and a half and made an additional gain of 90%. Its high point was 381.17 in 1929.

Ralph A. Rotnem

In 1937, another bull market tested the 190-200 area. Prices had risen for 56 months and had advanced 380% from their 1932 low. But this time the rise stopped at 194.40 and in the next 12 months the average lost 50%.

In this third and current test, the average has gone up 105% in 44 months. The fact that it has again tested this important historical level and the further fact that there never has been a year in stock market history when one has not been able to buy stocks in the 190-200 area or lower, makes this an interesting time to take stock of our position.

It seems important as a guide to future action to look at conditions today and contrast them with those of 1937.

Favorable Factors Today Compared With 1937

1. Liquid savings of individuals are now the highest in history.

2. The supply of stocks has increased little. In 1937, the New York Stock Exchange listed 1,408,078,066 shares of stock. Today, it lists 1,576,517,836 shares.

3. Inflation was an important influence in 1937, but it is vastly more emphasized today. The government debt is up from 35 to 247 billion; money in circulation has advanced from 6.6 to 27.7 billion; the supply of consumers' goods is smaller because of restricted production during the war.

4. In 1937, we had completed several years of active business which fairly well supplied the demand for automobiles, radios, homes, household goods, railroad equipment, agricultural implements. Today, we have a pressing need for several million homes, 15-20 million radios, 5 million washing machines and 15 million motor cars.

5. Several new and important industries have been developed or are more nearly perfected than they were in 1937. In many respects, the war has advanced scientific developments by 20 years.

6. Interest rates are lower than in 1937. Today, stock yields are 33% higher than those on high grade bonds, whereas in 1937 the difference in favor of stocks was only 14%.

7. In recent years, our Armed Forces have used and advertised American goods throughout the world. Most nations have a greater need for our products today than they had in 1937. Given an adequate supply of dollars their buying would appear assured.

Unfavorable Factors Today Compared With 1937

1. Taxes on corporation amounted to 15% in 1937. In 1946, this tax will be 38%.

2. The cost of labor is far higher today than it was in 1937, but in

(Continued on page 141)

The Outlook for the Stock Market in 1946

By FRANCIS W. LA FARGE*

Analyst for the Tri Continental Group of Companies

After Weighing Both Favorable and Unfavorable Factors, Mr. La Farge Holds the Balance Is on the Favorable Side for the Year. Says Effects Will Be Variable As Regards Individual Industries, and That if Prospective Stock Prices Are Based on Earnings Stocks Will Still Have a Favorable Yield Compared With Bonds. Foresees Possible Stock Market Boom in Last Half of Year But Urges Caution Against the Lure That Bullish Factors Never Lose Their Force.

A weighing of the favorable and unfavorable factors most important to the stock market in 1946 derives the conclusion that no matter how they are juggled or where the greatest emphasis is laid the balance is on the favorable side for the year as a whole.

F. W. La Farge

The most important favorable stock market factor is that a high level of business, assured by domestic and foreign demand, will combine with a sharp reduction in the tax rate and several favorable features in the tax law to produce an overall increase in earnings and a consequent increase in dividends from the 1945 levels. The trend towards increased dividends is already apparent and will serve to strengthen even further another important factor, the favorable ratio between stock and bond yields. In addition, there remains the exceedingly large money supply which continues to attempt to express itself in higher prices for securities as well as commodities and goods.

The Unfavorable Factors

The most serious factor on the unfavorable side is the profit margin question. Strikes undoubtedly will affect earnings in some industries, but not seriously in themselves unless they are protracted to an unbelievable degree. It is much more the question of whether the inevitable wage increases that will come from the

(Continued on page 146)

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*Address by Mr. La Farge before New York Chapter of American Statistical Association, Jan. 8, 1946.

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Savings Bonds in War and Peace

By HON. ERNEST G. DRAPER*

Member Board of Governors of the Federal Reserve System

Holding That There Is No Peril to the Treasury From the Large Volume of Redeemable War Savings Bonds Outstanding, Mr. Draper Points Out That the Increased Redemptions Since End of War From $400 to $700 Millions in December Is Not Unreasonable and That Any Substantial Increase Could Be Met by Government Borrowing From Banks. Urges the War Bond Thrift Campaign Be Continued Unabated and States That Savings Banks Can Play a Stabilizing Part in Peace-Time Economy, Though Admitting That in Shortage Period They Have an Inflationary Influence.

This has been an expansive war, in lives, which are by far our most precious asset, and in dollars also. At their peak war expenditures ranged from 7 to 8 billion dollars a month and in one year totaled 90 billion dollars. From Pearl Harbor to the end of June, 1945 the Government spent 267 billion dollars for war purposes, and in addition there were the regular governmental expenditures. Only part of this large amount was raised through taxation, even though tax rates were increased and there were also new taxes and a broadened tax base. Receipts increased from $5 billion in 1939 — the last year before large expenditures were made for defense or war—to $44 billions in 1944 and $46 billions in 1945. A large part of the cost of the war has been met by funds borrowed from the public. The Government debt at the end of 1945 amounted to over $270 billion compared with less than $50 billion in 1940. The fact that the Government has been able to raise so much money on a voluntary basis in such a short time and at such favorable rates is a real accomplishment and bespeaks the confidence that the American people have in the future of this great country.

The Management of the Debt

The end of the war has brought a sharp decline in Government expenditures and now our attention and energies can be turned from the raising of vast sums of money in war loan drives to other problems. One of the problems that will require judgment and ability on the part of the Treasury and the Federal Reserve System and understanding on the part of the public is the management of the public debt in the postwar period. The fact that the Government's debt is so widely distrib-

(Continued on page 167)

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*An address delivered by Mr. Draper before the Conference for Safeguarding Wartime Savings, Waldorf Astoria Hotel New York City on Jan. 9, 1946.

Higher Prices to Pay Nat'l Debt

Benjamin C. Marsh, Executive Secretary of "People's Lobby," Asks President Truman to Inform People Whether This "Unthinkable Brutality" Is Planned by His Administration. Points Out That Consumers Pay Business Profits and Government, as Tax Collector, Has a Direct Interest in Profits Distribution.

Benjamin C. Marsh

Charging "the Government intends to pay a large part of the National Debt through higher prices, an unthinkable brutality," the People's Lobby, Inc., through its Executive Secretary, Benjamin C. Marsh, in a letter to the President, made public on Jan. 3 asks him to tell the American people whether this is the Administration's plan. The letter, which expresses appreciation of the efforts Price Administrator Chester Bowles has made to control prices, reads in part:—

Your appointment of Fact-Finding Boards on the current conflicts between General Motors and the United States Steel Corporation, and the workers in those two great corporations, is highly timely.

It evidences your appreciation

(Continued on page 166)

Wine, Women And Song

By MAURICE S. BENJAMIN

Senior Partner, Benjamin, Hill & Co.

Financial Economist Says That Public's Desire for an Era of More Money and Leisure Must Lead to Inflation. Consequently He Advises Switching Investments to Companies With Low Labor Factor.

Maurice S. Benjamin

Regardless of a national deficit of $250 billions and an estimated deficit for the coming year of $30 billions more (this figure, alone being higher than any accumulated deficit in our history before the new theory of deficit financing was launched in the 1930's), our administration has reduced taxes $6 billions and is planning an ambitious spending program plus substantial loans and gifts to other nations.

On top of the record huge savings and record national income due to the Government's expenditures of $100 billions per year to win two wars everyone is to get more money. Higher wages, higher farm benefits, subsidies, bonuses, social security, old age and unemployment insurance are being extended. Men and women are to get $25 per week (no deductions for travel or social security or dues) while not working.

(Continued on page 166)

Whither Trend Of Investment Banking?

By ALBERT W. THORPE

Albert Thorpe

Mr. Thorpe Recalling That Investment Banking Following the 1929 Crash Became a Scapegoat and Whipping Boy, Urges That Care Be Exercised to Preserve the Reestablishment of the Prestige of the Business and That Conditions Should Be Maintained to Attract the Highest Type of Young Men to It. Sees a Dual Responsibility of Investment Bankers; (1) Their Obligations to the Public and (2) Their Obligations for Self-Preservation. Urges Extreme Caution Be Used in Making Investment Recommendations and That Radical Speculation Be Discouraged.

The investment banking profession should remember all too vividly the lessons of the Thirties. It should remember that from a highly respected and honorable business it became a scapegoat and whipping-boy following the 1929 crash; the target of the public and politicians alike; the butt of crude jokes; anathema to many big and little speculators who found that the pot of gold was dross.

Investment banking deserved some of the criticism heaped upon it; like all prosperous businesses it had attracted during the Twenties an irresponsible fringe, men of easy conscience and insatiable greed. Fortunately for the business, these men were largely eliminated in the years that followed the crash—the lean years—the years when it was necessary to swim upstream against both tide and current. Eliminated also were numerous others, honest, but

(Continued on page 166)

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Wallace Sees Shift To More Spending

Secretary of Commerce, in Review and Forecast, Notes Progress of Shifting and Adjustment From War to Peace May Continue Throughout 1946. Says Wage Payments Have Dropped by 12% From First Quarter of 1945, but Farmers' Income and Business Profits Remained Steady. Holds Individual Savings of Income Have Dropped From 30% to 20%.

Secretary of Commerce, Henry A. Wallace, released on Jan. 7, a statement regarding his version of the progress of technical and physical conversions of plants and industries since V-J Day and predicted that although in large part completed, the process of shifting and adjustment may continue throughout 1946. The text of Secretary Wallace's statement follows:

Henry A. Wallace

The outstanding feature of the economic situation in 1945 was the resilience with which the economy absorbed the shock of the sudden end of the war. Business activity turned downward in the second half of the year, but the shift from the wartime economy was orderly. National product and national income for the year as a whole are expected to be $196 and $160 billion, respectively, only slightly below 1944. This was due in part, however, to higher totals in the first half of the year which were more than offset by the drop in the second half of 1945.

The difficult process of changing over from a war to a peacetime economy was gradually being accomplished. By the end of the year the technical and physical conversion of plants to civilian production has been in large part completed, though the flow of new finished products was still small.

Employment in non-agricultural industries declined sharply after V-J day as a result of the liquidation of war production; however, in the final quarter the number employed turned upward.

Despite continued shortages of many goods both wholesale prices and the cost of living were held stable. However, industrial disputes and labor unrest resulting from the reduction in take-home pay became serious problems as the year came to a close.

The solution of industrial disputes is not the only problem that confronts the nation in the coming months. Many of the difficulties of shifting to a peacetime economy had not fully emerged by the year end. Owing to the rapid demobilization of the armed forces, industry will not be able to absorb the new entries in the civilian labor force quickly enough to prevent rising unemployment.

Large deferred demands for many types of consumers' and

(Continued on page 139)

America for All Americans

By HON. HENRY A. WALLACE*

Secretary of Commerce

Secretary Wallace Expresses Optimistic Views Regarding Reconversion and Reconstruction Which He Says Can Be Accomplished as Was the "Wartime Miracles." Holds We Have Yet to Achieve Full Employment and the Annual Wage, and Urges That Opportunities Be Given to Buy Farms at Fair Prices. Denounces Poll Taxes and Upholds Enforcing Fair Employment Practice Act.

Let us look at America. Here are 140 million people enjoying the highest living standards in the world—living in a land so bounti-

---

*An address by Secretary Wallace before National Convention of Omega Psi Phi Fraternity, Washington, D. C., Dec. 29, 1945.

(Continued on page 153)

Anglo-American Financial Arrangements

By LORD KEYNES*

Financial Advisor to Great Britain

Stating That the Recent Anglo-American Financial Agreements Constitute: (1) a Blueprint for Long-Term Multilateral Organization of World Commerce and Foreign Exchange; (2) a Proposal for Near-Term End of the "Sterling Bloc"; and (3) an Offer of U. S. Financial Aid to Effect These Transitions, Lord Keynes Urges His Countrymen to Give Up Post-Mortem Claims for Past Sacrifices and Look for Means That Will Promote Postwar Reconstruction and Be a Guide for a Postwar Economy. Says Americans Favor a Strong Britain but Are Unwilling to Compromise Their Business Interest for Its Attainment. Expresses Regret That Loan was Not Non-Interest-Bearing, but Finds Great Satisfaction in Clearing Up Old War Debts and Concludes "the Magnitude of Our Surrender Was Not So Great."

My Lords, two days in Westminster are enough to teach one what a vast distance separates us here from the climate of Washington.

Lord Keynes

Much more than the winter waste of the North Atlantic and that somewhat overrated affair, the Gulf Stream, though that is quite enough in itself to fog and dampen everything in transit from one hemisphere to the other. Yet I can well see that no one would easily accept the result of these negotiations with sympathy and understanding unless he could, to some extent at least, bring himself to appreciate the motives and purposes of the other side. I think it would be worth while that I should devote some part of what I have to say to that aspect. How difficult it is for nations to understand one another, even when they have the advantage of a common language. How differently things appear in

---

*Speech by Lord Keynes in the House of Lords during the debate of Dec. 17-18, 1945, pertaining to recent agreements between the United States and the United Kingdom.

(Continued on page 149)

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Steinauer Resumes

LINCOLN, NEB.—Steinauer & Company, Inc. has resumed the investment business with offices in the First National Bank Building. Principal of the firm is Edmund Steinauer.

R. A. Saunders Dead

Reginald A. Saunders, Sr., retired investment broker, died at the age of sixty-four. Mr. Saunders retired from partnership in the firm of J. W. Davis & Company in 1944 after forty-six years with the company.

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Michigan Public Service

Michigan Public Service serves 100 communities, in an area bordering the eastern shore of Lake Michigan, with a combined estimated population of 63,000, including Sheboygan, Ludington, Traverse City, etc. This is normally a tourist and vacation area, but there is some small manufacturing business in addition to farming and fruit growing. It is not "growth" territory, the population having been almost stationary for some years, but the number of customers served by the company has improved moderately and sales per customer have improved from 804 kwh. in 1939 to 995 in 1944. During the same period the average residential revenues per kwh. have dropped from 5.05¢ to 4.23¢. Gross revenues have improved steadily since 1938 or earlier, despite the handicaps to which resort areas have been subjected by lack of transportation facilities, etc.

The operating plant includes 13 hydro-electric, one steam, and two Diesel plants. Common stock earnings have been as follows in recent years:

1944	$1.42
1943	1.66
1942	1.70
1941	1.88
1940	1.62
1939	1.00
1938	.36

In the nine months ending Sept. 30 the company reported earnings of $1.65 compared with $1.01 in the same period of 1944. In the last quarter of 1944 41¢ was earned, and this year 60¢ would seem a possibility, bringing estimated net for the year to $2.25. On this basis the stock has been selling recently at about ten times earnings, as compared with an average around 17 for all electric stocks.

This year's gains were due principally to an increase in gross of $113,000 while expenses gained only $45,000, and Federal taxes $15,000. No excess profits taxes were paid prior to 1945, but the interim nine months' statement indicates that such payments were being made this year. The company next year will enjoy a 55% reduction in excess profits tax payments and a 5% decline in the regular income tax rate. These savings are difficult to estimate since separate figures for the two kinds of taxes are not available for 1945, but it seems possible that such savings might aggregate as much as $20,000, or about 23¢ a share, on the basis of estimated 1945 operations.

The company has a rather complicated capital structure with (until recently) two classes of bonds and four issues of preferred stock. However, on Dec. 1 the entire $375,000 debenture 4s were called at 102, and on Jan. 1 the entire 835 shares of 7% preferred were retired at 107. The funds were obtained by a serial bank loan at 1½% interest. Eventually the company might be able to refund its 3½% bonds on a lower coupon basis; and also refund and consolidate the three 6% preferred stocks. Possible savings (less increased taxes) from recent and potential refundings are estimated at around $38,000 or 45¢ a share on the common stock.

The company's capital structure appears satisfactory—debt 55%, preferred stock 11% and common stock equity 33% as of Dec. 31, 1944 (these ratios will be improved by the recent redemptions). Of the gross plant account of $8,592,007, 90% represents original cost, 8% additional cost (a substantial part of which is being amortized) and 2% intangibles. Depreciation reserve is 15.7% of plant.

Based on the various earnings estimates above, future earnings as high as $3.00 a share would seem a possibility. However, past earnings have been somewhat erratic, and in periods of low water conditions the company might have to buy substantial amounts of power, as well as use its steam stand-by plant. However, the Diesel plant constructed in 1941 has improved the power distribution set-up. Normally, the company buys about 10-20% of its total requirements from Consumers Power.

Despite the sales growth which has already occurred, average residential consumption is still well below the national average and with the fuller resumption of resort activities, further gains in revenues and earnings appear a possibility. Basically, however, the territory has limited growth possibilities and doesn't have the dynamic possibilities of Texas, Florida, and similar areas.

Up to 1940 the company was controlled by a holding company, Inland Power & Light, formerly in the Insull system. In that year a syndicate headed by Otis & Co. of Cleveland offered the stock to the public at $14.25 a share. During the four years following quarterly dividends of 25¢ were paid regularly, and the stock had an over-counter range between 7½ and 16. This year, with the general advance in utility equities, it has advanced to around the 22 level. It seems unlikely that the dividend rate will be increased until the bank loan is liquidated, but any continuation of the recent sharp up trend in earnings might nevertheless prove a market factor.

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W. V. Simone Partner in Wm. E. Lohrman Co.

William V. Simone has returned from overseas with the 13th Airborne Division and has been admitted to partnership in Wm. E. Lohrman & Co., 76 Beaver Street, New York City. In the past he was associated with Ralph C. Morgan & Co.

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Higher Expenditures in 1946 Despite Lower Income

Business Forecaster Predicts More Goods Will Be Sold in 1946 Than in Previous Year and That Retailers' Profits Will Remain at High Level. Urges Retailers to Take Advantage of Situation to Modernize Their Plants and Increase Employees' Efficiency by Raising Wages.

Consumer expenditures in 1946 will be greater than the record total of 1945 despite a declining trend of income, according to A. W. Zelomek, Economist of the International Statistical Bureau, Inc., who spoke before the Smaller Stores Division of the National Retail Dry Goods Association on Jan. 8. Most consumers, however, will begin to be much more critical of price and quality.

A. W. Zelomek

"Income in 1945 was close to $160 billions. In 1946 it will probably range between $140 and $145 billions. That represents a loss to the stream of purchasing power of, say, $18 billions. How is it, then, that expenditures are scheduled to increase?

"First of all, there will be a reduction of personal income taxes amounting to about $6 billions. That leaves only about $12 billions of lost purchasing power to make up.

"This remainder will be more than made up by a decline in the abnormally high rate of current savings. This factor, during 1946, will be the most potent influence in the retail sales trend.

"Before the war consumers saved about 8% of their income. In 1944, despite the high level of income taxes, this ratio increased to approximately 25%. People saved because they couldn't spend. In 1945, since V-J Day, the rate of current savings has begun to drop; proving rather conclusively, I believe, that most people will spend rather than save—that they will go back to their prewar habits as rapidly as increasing supplies will make it possible."

No Criterion

Spending tendencies during the recent holiday shopping period should not be regarded as a reliable indication for 1946, Mr. Zelomek warned. "In this past holiday season the consumer had no choice but to turn to the gift items and textile-apparel items that were available. In 1946 there will be radios, appliances, automobiles, a greater supply of furniture and house furnishings, new homes, broader travel and vacation opportunities, **plus** a bigger and better supply of the same items you sold in record volume in the past few months."

"It goes without saying that retailers, on the average, will handle a bigger physical volume of goods in 1946 than in 1945; that their whole postwar operation will be on a grander scale. Every improvement in the living standard of the American public can be measured in tons of merchandise, most of which pass over retail counters."

Retailers' Opportunity

Mr. Zelomek regards this and the problems it creates as a great challenge to retailing. This sudden jump in unit volume gives retailers an opportunity, perhaps the only one in this generation of store-keepers, to do two things:

1. To modernize store layout, stockroom layout and the entire physical handling of merchandise, and

2. Using the added efficiency this gives, to raise individual wage and salary payments to a point where retailing can compete with other industries for the talented young people who are now beginning to plan their careers.

The profit outlook for the average department store is favorable, Mr. Zelomek concluded. The return of many items which normally sell at a high price and with relatively large mark-ons will be translated directly into a favorable average sales check for the store as a whole and a favorable gross margin.

May Dept. Stores Official Dies

Leon M. Bodenheimer, a Vice-President of The May Department Stores Company and for more than 30 years a prominent figure in the merchandising field, died on Jan. 7 at his home at 785 Park Avenue, New York City. He was 62 years old.

Mr. Bodenheimer joined the May Department Stores Company in 1926 as assistant general manager of its New York subsidiary, Sostman Mercantile Company, which handles purchases for the May stores in St. Louis, Cleveland, Denver, Los Angeles, Baltimore and Akron, Ohio. In 1933 Mr. Bodenheimer was elected President of the Sostman Company and a Vice-President of the parent company, May Department Stores. Before his association with May Department Stores Company, Mr. Bodenheimer served as an executive of A. B. Kirschbaum Co., of Philadelphia, clothing manufacturers.

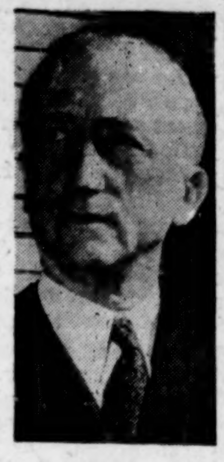
Mr. Bodenheimer is survived by his widow, Mrs. Elsie May Bodenheimer; a daughter, Mrs. Thomas H. Loeb; a son, Leon, Jr.; a sister, Mrs. Frank Aranow and his mother, Mrs. Max Bodenheimer.

Funeral services were held yesterday at Universal Funeral Chapel, Lexington Avenue at 52nd Street, New York City.

Byrnes Explains Moscow Accord

Secretary of State Asserts It Marks Progress Over London Parley Impasse. Concedes Many Problems Still Unsettled and Defends Organization of Far Eastern Council. Says Russia Did Not Inquire Regarding Scientific Nature of Atomic Bomb and That International Commission Has No Authority to Bind Nations as to Its Use.

Secretary of State James F. Byrnes addressed the nation by radio for one-half hour on the night of Dec. 30 on his recent meeting at Moscow with Foreign Secretary Ernest Bevin of Great Britain and Foreign Commissar Viacheslav M. Molotov of the Soviet Union. The purpose of the talk was to explain the nature of the agreements arrived at and formally stated in the joint communique issued previously and published elsewhere in this issue. The text of Mr. Byrnes' address, as released by the State Department, follows:



James F. Byrnes

The purpose of my talk tonight is to render a report on the recent meeting of the foreign secretaries of Great Britain, the United States and the Soviet Union at Moscow.

With President Truman's approval and encouragement I had urged the calling of this meeting in fulfillment of the understanding reached at Yalta that the three foreign secretaries should meet every three or four months.

I was well aware of the risk involved in suggesting this meeting without any definite assurance that the three governments would be able to reach agreements on the points under discussion. I knew the risk of another impasse such as occurred in London. I felt this risk had to be taken.

It is just when there are genuine difficulties in reaching agreement that foreign secretaries should meet in an effort to understand each other's problems and troubles.

In this modern world where events move with lightning speed there is not time to wait for agreement to be reached by the slow exchange of diplomatic communications.

We must realize that discussion and personal contact in international affairs are useful and helpful even though they do not at once lead to agreement. They contribute to a meeting of the minds and the reconciliation of differences.

In September the Council of Foreign Ministers at London had been unable to agree upon the procedure to be followed in drawing up the European peace treaties. The Soviet Union took the position that the treaties should be made only by the principal powers who had signed the respective armistices. The other delegations took the view that all states which took an active part in the war should be allowed to participate in the peace.

While we could not agree at London, and many referred to the London conference as a complete failure, it was, I think, the discussions at London that helped us so greatly to reach agreement on peace machinery at Moscow.

The agreement at Moscow meets our insistence that all states which took an active part in the war should participate in the peace. It also frankly recognizes the responsible role of the larger powers in the making of peace.

Powers to Draw Up Peace Terms

Our agreement is that the terms of peace in the first instance should be drawn by the principal powers which were signers of the respective armistices. But it was decided that as soon as these terms were drawn up they should be submitted to a peace conference called by the five states—the United States, the Soviet Union, Great Britain, France and China, who constitute the Council of Foreign Ministers, and are the permanent members of the Security Council of the United Nations. All states which actively waged war with substantial military force against the European members of the Axis will be invited to participate in the conference.

The Peace Conference is to be called not later than May 1.

The conference will consider the draft treaties prepared by the States that signed the respective armistices. The Peace Conference will then draw up its own recommendations. After that, the States which prepared the preliminary texts will consider the recommendations of the Peace Conference and prepare the final texts of the treaties to be signed by all States actively at war with the enemy States in question.

I do not consider this solution ideal. But the departure from the ideal standard is more in the

(Continued on page 142)

Pomeroy With Hutton In Los Angeles

LOS ANGELES, CALIF.—William N. Pomeroy has become associated with E. F. Hutton & Co., 623 South Spring Street.

SCHENLEY DISTILLERS CORPORATION
NOTE—*From time to time, in this space there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 112 of a series.*
SCHENLEY DISTILLERS CORP.

Resolution

By MARK MERIT

Beginning the New Year, we are resolved to try to correct some misunderstandings which seem to be rampant, here and there, regarding whiskey.

Apparently some members of the whiskey consuming public are under the impression that present day blended whiskies are "war babies" because of the scarcity of "straights" and "bonds". May we, then, correct this erroneous impression?

We'll start by saying that we can treat this subject fairly, because Schenley produces a number of types of native American whiskies; straight whiskies, bonded whiskies and blended whiskies. We are also distributors, in America, of one of the world's best known Scotch blended whiskies.

Now here are the facts. *The increasingly popular standard brands of blended whiskies available, today, are of as fine a quality as have ever been produced in this country.* We say 'increasingly popular,' because long before the war created shortages, the American consumer indicated a growing preference for this lighter type of alcoholic beverage. This trend is not confined to America alone. For a number of years, the British consumer, likewise, has shown his preference, increasingly, for lower proof, light bodied, blended Scotch whiskies.

Now, how about "straights" and "bonds?" Well, *they are* scarce because many of these superb aged straight whiskies, made in the prewar period, are used to make the popular blended whiskies. New whiskies, now being made, are being laid away for aging. When they are properly matured, they will be "straights" and "bonds" for those who may still desire the heavier types. A good blended whiskey, you know, is a blend of flavorful, straight whiskies and grain neutral spirits. Grain neutral spirits is a highly refined alcoholic distillation, made from the same grain which is used to make whiskey. The skillful blending of flavorful, basic, aged whiskies, and grain neutral spirits, creates an end product with all the desirable native American whiskey flavor characteristics, plus lightness of body. The proof at which these whiskies are bottled, is about the same as that of blended Scotch whiskey. The latter has a characteristic 'native' flavor of its own.

We conclude by telling you, dear reader, that high-grade blended whiskies are of *fine quality. The American consumer, today, is limited not in the quality he can buy, but in the variety of types available.*

Well, anyway, telling you this is making good at least one of our 'resolutions'.

FREE—*Send a postcard or letter to* MARK MERIT OF SCHENLEY DISTILLERS CORP., *350 Fifth Ave., N. Y. 1, N.Y., and you will receive a booklet containing reprints of earlier articles on various subjects in this series.*

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Chicago Brevities

Liquid Carbonic Corporation, in its annual report, disclosed details of a projected $8,500,000 expansion program, which will greatly increase its manufacturing capacities both in this country and abroad.

A proposed financing program, calling for a new issue of 72,810 shares of convertible preferred stock of $100 par value, will be presented to stockholders for approval at the annual meeting this week to finance the expansion. The new preferred will be offered for subscription by common stockholders and unsubscribed shares, if any, will be sold to investment underwriters for public offering.

The company plans to spend approximately $5,200,000 on new plants and additions in the United States. A new soda fountain manufacturing plant is to be built across the street from the company's main factory buildings in Chicago. A new building to house offices, showrooms and storage and service departments will be erected at Long Island City, N. Y. Construction on what will be the company's largest carbonic plant is already well under way at Belleville, N. J.; new carbonic plants are planned for St. Paul and for an as yet undetermined location in the Southwest; and capacity of the company's Seattle carbonic plant is to be doubled. A new plant under construction at Morrison, Ill., will manufacture ice cream freezers and a new line of home freezers. Upon completion of the proposed expansion program, the company will have 40 compressed gas plants, carbonic, oxygen, acetylene or nitrous-oxide in this country.

Anticipating a large increase in the consumption of soft drinks abroad over the coming years, the company plans to expend approximately $600,000 to expand its foreign operations. The company plans new carbonic plants for Mexico City, Venezuela, Brazil, and a second Cuban plant at Santiago. Negotiations for similar operations in Argentina and Colombia are pending.

Net income of the corporation for the fiscal year ended Sept. 30, 1945 was $1,522,585, equal after preferred dividend requirements to $1.91 a share, compared with $1,747,401, or $2.22 a share, for the preceding year.

Net working capital at Sept. 30, 1945 was $13,316,747 against $13,694,683 the year before.

Net income of Cudahy Packing Co. and Swift & Co. for the fiscal year ended Oct. 27, 1945 followed the trend of the industry, declining 27 and 21%, respectively, from the preceding year. Armour & Co. and John Morrell & Co. have not yet reported earnings for the 1945 fiscal period, but are expected to show declines from 1944 levels.

Net earnings of four of the six leading packing concerns—Cudahy Swift, Wilson & Co. and George A. Hormel & Co.—for the 1945 fiscal year declined on an average 24% from the preceding year.

Despite lower earnings in 1945, however, profits are still considerably above the 1935-39 pre-war average, and according to investment analysts, outlook for the 1946 fiscal year is good. They point to the overwhelming demand for meat products which should help to keep prices close to present levels, and to the benefits to be derived from the removal of excess profits taxes for the greater part of the 1946 fiscal year. Elimination of the excess profits tax will offset any reduction in operating income and help maintain earnings at a satisfactory figure, they declare.

Refunding of high-rate securities, both bonds and preferred stocks, at lower interest rates by packing companies will also increase share earnings going to common stockholders, they point out. Cudahy might be cited as an example. The company reported net income for the fiscal year ended Oct. 27 of $2,505,097, equal after preferred dividend requirements on the presently outstanding 4½% preferred to $4.40 a share. Had the 6 and 7% preferred, which was redeemed, still been outstanding, common share earnings on the basis of the old capitalization would have been equal to $4.12 a share. Net income of Cudahy for the 1944 fiscal year was $3,190,061, equal after preferred dividend requirements on the 6 and 7% then outstanding to $558 a share.

Swift & Co., which scaled its long-term debt from $20,000,000 to $18,750,000 in the fiscal year just ended, reported net income of $12,303,807, equal to $2.08 a common share, compared with $15,662,635, or $2.64 a share in 1944.

Working capital of both companies increased. Net working capital of Swift at the close of the 1945 fiscal period was $188,001,926 compared with $184,373,104 the year before, and of Cudahy $32,651,899 against $30,048,849 at the close of the preceding fiscal year.

* * *

Victor Chemical Works plans to offer publicly 40,000 shares of $100 par value cumulative preferred stock through a syndicate headed by F. Eberstadt & Co. to finance an expansion program designed to increase its sales volume by 40%. Price and dividend rate are to be announced later. A registration statement has already been filed with the Securities and Exchange Commission.

Present capitalization of the company, consisting of 749,000 shares of $5 par value capital common stock and a $186,770 minority interest in a subsidiary, will be increased through the sale of the new preferred by approximately $4,000,000. There is no funded debt.

Approximately $5,200,000 of the proceeds will be used to build a new electric furnace plant on tidewater property in western Florida, near what has been characterized as the richest phosphate rock fields in the country. Another $1,000,000 will be spent for additional processing facilities and the balance of the proceeds will be added to working capital.

Upon completion of the expansion program, Walter B. Brown, Executive Vie-President, stated. Victor will be the largest commercial producer of phosphorous in the world.

* * *

Sears, Roebuck and Co. will resume its program of decentralizing administrative functions with the establishment of an autonomous eastern territory operated from Philadelphia and a southern territory operated from Atlanta, Feb. 1. The program, interrupted by the war, will follow the pattern set in 1940 when a Pacific Coast territory was set up with headquarters in Los Angeles.

Robert E. Wood, Chairman of the board, stated that the ratio by which Pacific Coast sales led other sections of the country was only partly the result of the wartime industrial development of the territory, and the experience gained there confirmed the wisdom of decentralization.

Ultimately the company will probably divide the country into five territories with the addition of one for the Middle West and one for the Southwest. All administrative responsibilities will be lodged with the executives of the territories, the parent office in Chicago serving them only as a centralized buying organization. Sears now issues 10 separate catalogs, each of which differs markedly in the assortment of merchandise included, General Wood stated.

John Nuveen Admits Howe and Laing

CHICAGO, ILL.—L. L. J. Howe and C. W. Laing have been admitted to partnership in the firm of John Nuveen & Co., 135 South La Salle Street, one of the pioneer municipal bond houses of the country, according to an announcement by John Nuveen, Jr. This is the first time a partner other than a member of the Nuveen family has been admitted to the firm, which was established in Chicago in 1898. Partners have been John Nuveen, founder of the firm, and John Nuveen, Jr., the active head of the business, who was admitted to partnership in 1923.

Mr. Howe has been with the organization since 1936 and is head of the firm's sales activities. Mr. Laing joined the firm in 1932 and heads its buying department.

Since founding nearly 50 years year, the firm has underwritten and distributed State, county and municipal bonds exclusively. It now has offices in many principal cities of the country.

Brown, Bennett Branch Opened in Chicago

CHICAGO, ILL.—Brown, Bennett & Johnson has opened a branch office at 39 South La Salle Street under the management of Frederick F. Johnson. Mr. Johnson in the past was a partner in Bennett Bros. & Johnson.

Now Corporation

CHICAGO, ILL.—Rodger, Kipp & Co. is now incorporated, with Arthur T. Rodger as President and Treasurer, and Austin G. Kipp as Vice-President and Secretary. Both were partners of the predecessor firm.

We are pleased to announce that

WILLIAM H. SILLS
Lt. jg USNR

has been released from active duty and is
again associated with us as
Chairman of the Board

—★—

DAVID J. HARRIS
will remain as President

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— TRADING MARKETS —

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Holds Chief Reconversion Problem Is Restoration of Free Economy

In Report to Industrial Conference Board, Prof. F. A. Harper Contends That Free Markets, With Elimination of Price and Profit Controls, Is Essential to Our Traditional Economic Structure. Says Administration's Reconversion Policy Is Dangerous in That It Delays Reestablishing a Free Economy and Leads to Continued Attempts to Guide National Economy by the Control Technique. Denounces Profit Control as Fatal to Increased Production.

The National Industrial Conference Board, with headquarters at 247 Park Ave., New York 17, N. Y. has recently issued the second of its "Studies in Business Economics" entitled "The Crisis of the Free Market" by F. A. Harper, Professor of Marketing at Cornell University. In his essay, Prof. Harper covers all aspects of governmental control of prices, profits and production, but his main objective appears to be to put special emphasis on the control problems as effecting reconversion. His general theme is that all interferences with a free market for goods and services and free enterprise system as it has developed in this country will eventually lead to "irreparable injury to ourselves, to our descendants and to the world."

F. A. Harper

Controlling Profits

Regarding the effects of price controls on profits and of profit control on production, Prof. Harper states that "the Government's reconversion policies affect profits in two ways. First, profits are to be specifically controlled as a factor in OPA's determination of the prices of various products. Second, as discussed in a previous section, profits become the unfortunate heir of wage rates that are too high; from that discussion it can be seen that if wage rates are to rise above the point justified by the efficiency of labor, while at the same time retail prices are to be controlled by the Government, there will be no need for controlling profits directly. Under those conditions profits will automatically be reduced or eliminated.

"Under any discussion of profit policies it should not be superfluous to recall the function of profits and their relationship to our objectives in reconversion. Profits are the lifeblood of free enterprise. Instead of being a form of economic parasitism, as some would have us believe, they are a sort of combined starter and sustainer for the entire free enterprise economy. They are, in part, the necessary inducement to people to save and to risk those savings in the capital structure of the nation, as is necessary for progress and economic growth. They also serve as a necessary cushion against the chance of failure for those who would be enterprising. They encourage the self-employed to work, and the employers to use many employees

(Continued on page 154)

Bretton Woods Meeting Awaited

Secy. Vinson Expected to Be American Governor of Fund and Bank. Russia's Failure to Join Both Fund and Bank a Disappointment.

WASHINGTON, D. C., Jan. 8.—The organization meeting to set up the International Monetary Fund and the Bank for Reconstruction and Development is expected to be held in this country in about six weeks. Following that meeting, the procedure will be as outlined in Section 3 of Article XX of the Fund Agreement.

There seems to be a good chance that the post of American governor in the Fund and the Bank will be Secretary of the Treasury Vinson, since the boards of governors will meet only a few times a year.

Russia's failure to join the Fund and Bank is the cause of disappointment in Washington. It is hoped that the USSR will come in later. What motivates the Russian policy can only be conjectured.

As for the other signatory countries which have not yet joined BW, they are expected to join later. Australia and New Zealand, it is explained, were waiting for the UK to act first, and since the British ratification have had no meetings of their own parliaments.

Venezuela wanted the United States to consent to the retention of its exchange controls, but now, it is believed, has been persuaded to leave this question to the Fund. Colombia has signed the Fund agreement, but not the Bank.

Section 3 of Article XX of the Fund Agreement, referred to above, reads as follows:

Sec. 3. **Inauguration of the Fund.**— (a) As soon as this Agreement enters into force under Section 1 of this Article, each member shall appoint a governor and the member having the largest quota shall call the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional executive directors. The governments of the five countries for which the largest quotas are set forth in Schedule A shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships they would be entitled to fill shall remain vacant until they become members, or until Jan. 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule C and shall remain in office until the date of the first regular election of executive directors which shall be held as soon as practicable after Jan. 1, 1946.

Resumes at Cowen Co.

Cowen & Company, 54 Pine Street, New York City, members of the New York Stock Exchange, announce that Lieut. Lyman G. Bloomingdale, U. S. N. R., has been released from active service and has resumed active partnership in the firm.

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WE ARE PLEASED TO ANNOUNCE THAT
HUGH T. KEARNS
and
RAYMOND C. WAUCHOP
have been released from the Armed Services and are again associated with us in our Trading Department.
Doyle, O'Connor & Co.
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Telephone: Dearborn 6161 Teletype: CG 1200

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Real Estate Securities

Because of the current popularity of real estate securities, buyers are taking risks in the purchase of some securities which we do not believe are warranted.

Many real estate bonds are now selling at prices predicated on current earnings rather than intrinsic values. Some issues are also selling at high prices because of ownership buying for sinking fund operation. The public is competing with this type of buying and may for the next couple of years realize a profit by so doing. However, if these purchases are not liquidated and are held for investment for too long a term, we are afraid that eventually the purchases will not be so successful. Speculation of this sort may be alright for the next couple of years, but if practiced, it would seem sounder to do it with low price bonds that have large room for appreciation rather than with bonds selling in the high 80s or 90s where the leverage for appreciation is limited.

As an illustration take the bonds of the Hotel St. George. This is a first mortgage bond without any share in the equity of the property. The demand for the bond in the last few years was predicated a good deal upon ownership buying for sinking fund purposes. (Sinking fund amounts to 2% of the bond issue annually and cancels a portion greater than 2% because the bonds have been selling at a discount. $174,958 was available in the fund this past November.)

The outstanding bond issue amounts to about $7,200,000 and the bonds are currently selling at about 87% placing a value for the property of about $6,264,000. (The Courts in a legal action for reduction of taxes recently fixed a value of only $5,855,167 for the property.)

In 1938, in reorganization of the bond issue, each $1,000 5¾% bond was exchanged for $1,100 of the present 4% bonds, so that the current bonds are really selling at the equivalent of 95¾% based on the old bond issue, even though the interest rate has been reduced by 1¾%. In 1938 after reorganization, these bonds sold at a low price of 33% reaching a low of 24% in 1940 compared with 87% today.

On an earning basis, however, today's price would seem justified inasmuch as the bonds are earning their interest 2.60 times. However, it might be wise to reflect on the fact that in 1938, the bonds only earned their interest 0.93 times. Justified or not, the fact remains that the leverage possibilities on these bonds is not great from this point on, because even if they go to par there is only 13 points profit possibility.

It would seem better, if speculating, to select a bond like the Broadway Barclay first mortgage 2% bonds due in 1956. These bonds, currently selling at 46%, pay additional interest if earned above the 2% fixed rate. They paid 2.04% in 1945 returning about 4.35% at current market price. Leverage possibilities are much greater than the St. George's in view of the larger discount from par at which the bonds are selling. Interest was earned 1.54% in 1945. The issue is $6,169,000 and at 46% a value is placed for the property of $2,827,740 compared with an assessed value of $4,000,000 and an original cost of about $8,250,000.

REAL ESTATE
SECURITIES

Primary Markets in:

Hotel St. George, 4's

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870 - 7th Ave. 4½'s
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Savoy Plaza 3-6's, '56

Beacon Hotel, 4's

* * *

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Myles Standish Co. Boston

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Wilson & Anderson Are Now With Lehman Bros.

Philip D. Wilson and Samuel W. Anderson, formerly Vice-Chairmen of the War Production Board, specializing in metals, have joined Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, the banking firm announced.

Philip D. Wilson

S. W. Anderson

Mr. Wilson, a mining engineer, was recently an assistant to the President of Baker & Co., Inc., a platinum and precious metals firm. During a long career in metals, he has played an active part in the development of mining and metal properties in the western United States, in Africa, South America, Mexico, Cuba, Yugoslavia and Siam. He was Vice-Chairman for Metals and Minerals for WPB.

Mr. Anderson was Program Vice-Chairman of the WPB and for two years was responsible for the construction of all of the aluminum and magnesium plants erected by the Government.

Theobald Mackenzie Opens

SALT LAKE CITY, UTAH—Theobald & Mackenzie has been formed with offices in the Kearns Building to engage in the securities business. Partners are Herbert P. Theobald and William A. Mackenzie. Mr. Theobald was associated with Hano & Co. in Philadelphia in the past.

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Hotel Lexington Common
Hotel St. George 4s 1950
Mayflower Hotel Corp. Stock
N. Y. Majestic 4s 1956 W. S.
Roosevelt Hotel 5s 1964
Roosevelt Hotel Common
Savoy Plaza 3s 1956 W. S.
40 Wall St. 5s 1966 W. S.
165 Broadway 4½s 1958
870 7th Ave. 4½s 1957 W. S.

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Aviation Bulletin—Study of airline industry with late news on various companies—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Bank & Insurance Stock Briefs—Current developments—and comparative price range figures—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Canada's International Trade Position—Outline of Canada's international trade experience and summary of Dominion Government financing during the war—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Insurance Stocks in a Period of Inflation—Study—Hare's Limited, 19 Rector Street, New York 6, N. Y.

National Business and Economic Outlook Encouraging—Observations by Hubert J. Soher in the current issue of the **Investor** published by Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

New England Company—Analysis of company established in 1862 on which there are arrears on the 5% $100 par preferred stock of $67.50 and interesting recent earnings range per share after taxes—ask for analysis M. C. P.—Raymond & Co., 148 State Street, Boston 9, Mass.

New York Bank Stocks—Comparison and analysis of 19 New York Bank Stocks as of Dec. 31, 1945—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Railroad Situations—Two situations that appear attractive discussed in the current issue of **Railroad and Other Quotations** issued by B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2 Mich.

American Service Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

American Stove Co.—Study of interesting stock offering an investment in the coming building volume—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Bowser, Inc.—special study—Goodbody & Co., 115 Broadway, New York City.

Chicago, Milwaukee, St. Paul & Pacific RR. Co.—Circular—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Oregon Portland Cement**, **Riverside Cement**, and **Spokane Portland Cement**.

Consolidated Gas Utilities and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4. Ill.

Dayton Malleable Iron Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: **Great American Industries**; **Alabama Mills, Inc.**; **Douglas Shoe**; **TACA Airways**; **American Window Glass**; **Lamson & Sessions**; and **Purolator Products**.

Electromaster Inc.—Recent report—**Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

Also available a report on **Sheller Manufacturing Corp.**

Farrell-Birmingham Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

Franklin County Coal—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Gruen Watch Co.—Memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also available is a memorandum on **Bowser, Inc.**, and on **Midland Utilities Co.**

Howard Aircraft Corporation—Review and late particulars regarding operations given in the **Wall Street Commentator**, house organ of Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

Illinois Power Company—Statistical memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Kendall Company—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also detailed circulars on **Fashion Park**, **Shatterproof Glass**, **Wellman Engineering Co.**; **Walt Disney Productions**; **Foundation Company**; and **Segal Lock & Hardware**.

Le Roi Company—Study of common stock as a sound speculative purchase—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Also available are studies of **Pittsburgh Railways**, **York Corrugating**, **American Insulator**.

P. R. Mallory & Co., Inc.—analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

FOR
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OTHER CLASSIFIED ADS

SEE INSIDE BACK COVER

Mar-Tex Realization Corporation—Memorandum on an interesting low-priced oil speculation—B. S. Lichtenstein & Co., 99 Wall Street, New York 5, N. Y.

Merchants Distilling Corp.—recent analysis—Faroll & Co., 208 South La Salle Street, Chicago 4, Illinois.

Also available is an analysis of **Standard Silica Corp.**

Midland Utilities and **Midland Realization**—detailed study—write for circular M-3—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Missouri Pacific Bonds—Outlook—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

New England Lime Company—Descriptive circular—Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Northern Engineering Works—Circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Panama Coca Cola—Circular on interesting possibilities — Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Public National Bank & Trust Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Also for dealers only are analyses of **National Radiator Co.** and **Republic Pictures.**

Railways & Light Securities Co.—Descriptive memorandum on oldest leverage investment company in the United States—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

Sport Products, Inc.—Detailed circular — Hardy & Hardy, 11 Broadway, New York 4, N. Y.

U. S. Sugar—Circular — J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **Great American Industries.**

Wellman Engineering Co.—circular—Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y.

Fansteel Metallurgical Stock Offered at $83½

It was announced Dec. 28 that all but 128 shares of the 52,000 shares common stock (no par) of the Fansteel Metallurgical Corp. offered to the shareholders of the company were subscribed for on the subscription rights which expired on Dec. 26. These 128 shares, together with 6,000 shares subscribed to by the underwriting group headed by Hallgarten & Co. upon the exercise of subscription warrants purchased from certain stockholders, were offered publicly Dec. 28 by the underwriters at $83.50 per share.

Robert A. Harker Forms Own Investment Business

LOS ANGELES, CALIF.—Robert A. Harker has opened offices at 210 West Seventh Streeth to engage in an investment business under the name of Harker & Co. He was formerly with Barbour, Smith & Co. for many years.

Group Secs. Reports 103% Rise in Assets

Group Securities, Inc., in its 12th annual report, reports that net assets increased 103% to $82,873,498 in the fiscal year ended Nov. 30, 1945. A further increase of nearly $5,000,000 occurred during the month of December, raising net assets to over $87,500,000 at the year-end. The company now ranks third in size among mutual investment companies.

Due to the recent change in the company's fiscal year, which formerly ended on Dec. 31, the period covered by the report contained only the 11 months ended Nov. 30, 1945. Despite the shorter period the number of shares outstanding was increased during the fiscal year from 8,126,770 to 13,072,416, while the number of shareholders rose 61% to more than 28,000.

Unrealized appreciation of securities held, representing the difference between cost and closing market prices, amounted to $18,162,104, compared with $5,722,671 on Dec. 31, 1944. During the year total distributions to stockholders amounted to $5,881,221, of which $3,779,678 represented net profit on the sale of securities.

In the accompanying report of investment management by Distributors Group, Inc., it was pointed out that the advance of 25.7% in the Dow Jones Industrial Stock Average was exceeded in the year by every one of the 18 stock classes of Group Securities, Inc. The advance of 39.5% in Railroad Stock Shares also exceeded the 32% rise in the Dow Jones Railroad Stock Average.

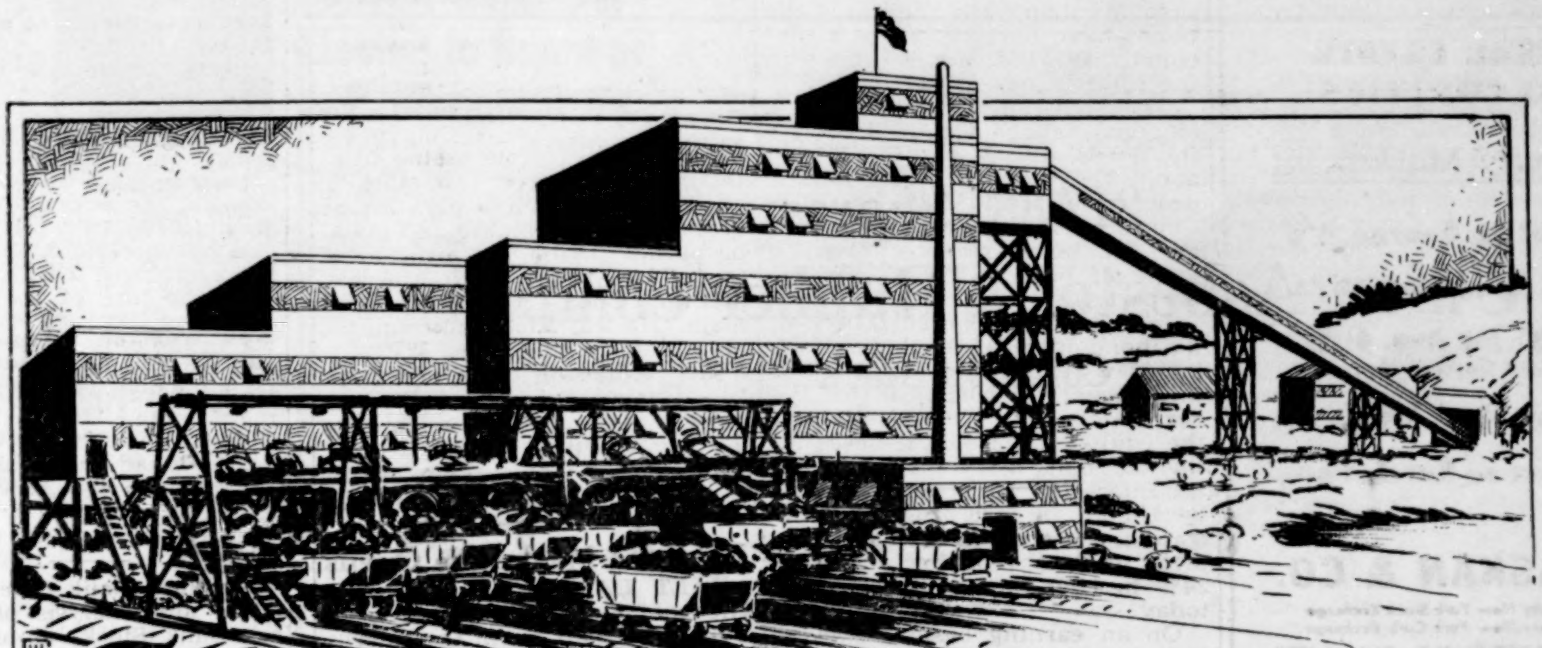
"The fears regarding unemployment which prevailed prior to the ending of the war are being rapidly dispelled," the report stated. "Instead, it is now becoming recognized that during the next few years what really is likely to materialize is a labor shortage. To eliminate the costly expense of strikes, and to develop sound as well as satisfactory labor conditions, industry must find an approach to labor compensation other than the mere setting of hourly wage rates.

"Profit margins are likely to be at satisfactory levels, for it is highly doubtful that the OPA will be continued with its present pricing powers beyond the middle of the year. There is little doubt that a generally higher price level will develop, but the full force of American productive capacity and ability will prevent any runaway price inflation."

Overshadowing current problems, the report pointed out, is the feeling of certainty on the part of industry and consumers that it will take many years of peak business activity before the tremendous deferred demands of the past five years are satisfied and before the rehabilitation of the world is completed.

Partners Resume Duties at Dominick & Dominick

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange, announce that A. Varick Stout, Jr., Commander U. S. N. R.; Gardner D. Stout, Commander U. S. N. R., and Bayard Dominick II, Lieutenant U. S. N. R., having been released from active service, have resumed their places as general partners in the firm.



Streamlined Coal Production

ONE of the South's greatest industries is coal mining. From Kentucky, Alabama and Tennessee come some of the finest coals produced in America.

Outstanding among this group of producers is the West Kentucky Coal Company of Earlington, Kentucky, some of whose holdings were acquired as far back as 1870 and whose total reserves now exceed 260 million tons of coal.

West Kentucky Coal Company's mines and preparation plants are among the most modern in the United States. All under-ground mines are completely mechanized, using mobile, rubber-tire-mounted machines and rubber belt transportation throughout.

The Company's principal product is its famous "Washed No. 11 Seam" coal, a low-cost premium fuel supplied to thousands of industrial and domestic consumers in the midwest and southern markets as well as to Canada and other foreign countries.

During the entire war period, the West Kentucky Coal Company operated its mines without a day lost on account of labor difficulties, a unique and enviable record.

West Kentucky Coal Company's production was approximately three and one-half million tons in 1945 and upon the completion of mines and washers now under construction, its capacity will be increased to over four and one-half million tons annually of washed coal alone.

Another advertisement in the series by Equitable Securities Corporation featuring Southern developments. Equitable has helped to finance many Southern companies, is ready to do its part in supplying others with capital funds.

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Broker-Dealer Personnel Items

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF.—**Willard J. Larsen** has become connected with **Atlas Securities, Inc.**, 9494 Wilshire Boulevard. He was in the past with White, Wyeth & Co.

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—**Thomas L. Fitzgerald** is with **Southern Investment Co., Inc.**, Johnson Building.

(Special to The Financial Chronicle)

CINCINNATI, O.—**Joseph H. Lichtenstein** has joined the staff of **A. E. Aub & Co.**, Union Trust Building.

(Special to The Financial Chronicle)

CINCINNATI, O. — **Jack L. Reiter** has rejoined the staff of **C. H. Reiter & Co.**, Union Trust Building, after serving for five years in the U. S. Army.

(Special to The Financial Chronicle)

CINCINNATI, O.—**Bernard J. Barlage, Jr.**, has rejoined **The Weil, Roth & Irving Co.**, Dixie Terminal Building, after completing service in the armed forces.

(Special to The Financial Chronicle)

CLEVELAND, O.—**Clement J. Kissling** has been added to the staff of **Lawrence Cook & Co.**, Fidelity Building.

(Special to The Financial Chronicle)

CLEVELAND, O. — **Edgar E. LeGros** has been added to the staff of **The First Cleveland Corporation**, National City Bank Building. He has recently been in the armed forces.

(Special to The Financial Chronicle)

CLEVELAND, O. — **Frank A. Gallagher** and **William J. Eschleman** are with **Hawley, Shepard & Co.**, Union Commerce Building. Mr. Gallagher has been in the armed service; Mr. Eschleman was with the Ohio Division of Securities.

(Special to The Financial Chronicle)

CLEVELAND, O. — **James G. Harry** has rejoined the staff of **Paine, Webber, Jackson & Curtis**, Union Commerce Building.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Jack R. Anstey** has become associated with **A. M. Kidder & Co.**, Penobscot Building. He has recently been serving in the Canadian Navy.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Frank X. Burger** is with **Stoetzer, Faulkner & Co.**, Penobscot Building.

This announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

217,384 Shares

Union Asbestos & Rubber Company

Common Stock
$5 Par Value

Offering Price $17.50 per Share

Copies of the Prospectus may be obtained in any State from only such dealers participating in this issue as may legally offer these securities under the securities laws of such State.

Kuhn, Loeb & Co.

January 7, 1946

This announcement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The Offering is made only by the Prospectus.

NEW ISSUE

60,000 Shares

McCrory Stores Corporation

3½% Cumulative Convertible Preferred Stock
($100 Par Value)

(Each share convertible into 2½ shares of Common Stock)

Of the above mentioned 60,000 Shares of 3½% Cumulative Convertible Preferred Stock 54,593 shares were subscribed for at the subscription price of $104 per share by the Common Stockholders of the Corporation, or their assigns. The 5,407 unsubscribed shares are to be purchased from the Corporation by the Several Underwriters, subject to the terms of the Underwriting Agreement summarized in the Prospectus.

Copies of the Prospectus may be obtained from such of the undersigned as may legally offer these securities in compliance with the securities laws of the respective States.

Merrill Lynch, Pierce, Fenner & Beane Kidder, Peabody & Co.

Goldman, Sachs & Co.

January 10, 1946.

Doomsday Seers Fail

By LEWIS HANEY

Professor of Economics, New York University

Dr. Haney, in Noting That the Predictions of Government Economists That There Would Be as Much as Eight Million Unemployed After V-J Day Have Not Materialized, Cites the Failure of These "Seers" as Illustrating That Government Planning Is Futile. Notes Situations Which Point Toward Expanding Industry With Rising Prices and Concludes That to Attempt Government Control Now Is Like Trying to Stop the Sap From Rising in the Spring.

A very good reason for hoping that this new year will be a happy one, is the failure of the forecasts made by the enemies of free enterprise. A month or two ago they were all chanting "eight million unemployed by Spring." All those who do not believe in our competitive price system or who want Government jobs as bureaucrats, ganged up to scare the country into a recession. If they had been right, by now veterans would be selling apples on all the corners, and free private enterprise would be receiving a terrific beating.

Lewis H. Haney

At the turn of the year, however, we find strikes for high wages the only barrier to a boom, and many industries suffering from labor shortages. And accordingly, the "forecasters" have changed their tune.

The situation is beautifully summed up by A. F. Hinrichs, acting Commissioner of Labor Statistics, who, under date of Dec. 31, 1945, says it is almost certain that unemployment in the Spring will "not even approximate the 8,000,000 figure that is still frequently quoted."

Mr. Hinrichs goes on to state that "there are comparatively few centers in which unemployment is a serious problem today." And to clinch the matter, he says that the main argument for deflation has vanished with the absence of any serious decline in total consumer income.

Says he: "There has been a decrease in total wage and salary payments. It has been less drastic than anticipated. Furthermore, **most of the shrinkage has already occurred.**"

* * *

Aside from the note of good cheer which this change in forecasts strikes, the most notable conclusion is that government planning is futile. What confidence can we have in the judgment of a bunch of bureaucrats who one month forecast recession and unemployment, and the next announce that their forecasts will not be "even approximated"?

And I wonder if they think the average American is so dumb that he will not draw this conclusion. Do they think that, when "the Government" can do no better in the way of forecasting unemployment, we will ever entrust it with the responsibility for providing "full employment"?

* * *

But some may argue that if the prophets of gloom were wrong the first time they may be wrong again, and that their present encouraging announcements will not come true. Is the outlook really better?

One possibility is that a steel strike may tie up industry and precipitate a depression. But I don't think that anybody wants this, or that it will be allowed. (The stock market seems to confirm my impression.)

Another possibility is such a deterioration in our politics that the nation might suffer a similar paralysis to that of France. On this score, I am sure that the time has not yet come. The two-party system still prevails, and no effective third, fourth or other party exists.

The President has shown some independence of labor. "Labor" is itself badly divided. As to Communism, that seems now to have become so identified with Russia that the average American regards it as a sort of "foreign substance" in the body politic.

So the probability seen by sound observers remains; namely, expanding industry and employment, with rising prices.

To attempt "government control" now is like trying to stop the sap from rising next Spring.

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Objects to a Dealer Registration

SEC Official at Philadelphia Hearing States That Alexander Smith, Chester County, Pa., Is Not Likely to Be a Fit Subject to Be Registered.

At a hearing on Jan. 8, in Philadelphia, regarding the application of Alexander Smith of Chester County for registration as a broker-dealer, Gerard O'Brien, SEC Counsel, requested that the application be denied on the ground that it is doubtful that he is a fit subject to be registered. According to an Associated Press dispatch, the SEC staff had reported that investigation tended to show that Smith "induced certain persons to purchase various securities at prices far in excess of prevailing market prices" from January, 1938, to December, 1942.

The counsel for Smith told the Commission "there is no denial that in some things Smith has been negligent, even grossly so," but, he pointed out, that since the theory is to protect the public, "it should be ample protection if you allow him to deal with brokers and wholesalers and not with the public at large. Even if he is guilty of any criminal activity in his operations there would be no opportunity to defraud the public if he is now allowed to deal with it."

Mr. Smith was registered as a broker-dealer from January, 1936, to March, 1943, when he withdrew his registration. He made application again for registration in May, 1945.

Chapin, Smith & Co. Is Formed in Detroit

DETROIT, MICH.—Chapin, Smith & Co., has been formed with offices in the Penobscot Building to engage in the securities business. Partners are Roy F. Chapin, Edward C. Smith and George E. Jackson. Mr. Chapin was previously a general partner in Carr, Chapin & Co. with which Mr. Smith was also associated.

Meeks in New Location; Charles Crain Joins Staff

MEMPHIS, TENN. — Gordon Meeks & Co. announce the opening of new offices at 2111 Sterick Building.

Charles C. Crane is now actively associated with the firm.

NSTA Notes

Thirty-four members of the National Security Traders Association attended the informal meeting in Chicago, on November 29, at which were in attendance the members of the Executive Council and representatives from most affiliates. The following matters were considered:

1. Discussion of relationship of N. S. T. A. with N. A. S. D.
2. Report of Constitutional Revision Committee—Henry Arnold, Chairman.
3. Veterans' Committee Report—Victor Mosley reported for Paul Moreland, Chairman.
4. Report of Year Book Committee—Harold Smith, Chairman.
5. Report of Special Executive Committee:
   Re: Meeting with Interstate and Foreign Commerce Committee re Boren Bill.
   Re: Meeting with entire Commission, S. E. C. and Treanor with Dotts, Mosley and Graham.
6. Report and discussion of Publicity Committee, Mrs. Ora Ferguson, Chairman. A booklet for distribution re trading and "over-the-counter" business, with history and aims of N. S. T. A. to be prepared for general distribution.
7. Report of Parsons, Yarrow, Welch and Graham, re meeting with National Association of Securities Commissioners.

The Executive Council meeting, held afterwards, voted to hold next Convention in Seattle in September, 1946. Edward Welch was appointed Chairman of Convention Committee.

The next meeting of the National Committee of the N. S. T. A. will be held in Chicago, Jan. 30, 1946. All Presidents of Affiliates, Past Presidents, and Chairmen and Vice-Chairmen of all Committees are invited. It is hoped the membership will discuss any suggestions to make the organization function better, in the interests of the "over-the-counter" business, with their National Committeemen and President of the local affiliate before this meeting.

NATIONAL SECURITY TRADERS ASSOCIATION CORPORATE COMMITTEE 1945-1946

R. Victor Mosley, Stroud & Company, Philadelphia 9, Pa. has been chosen Chairman of the Corporate Committee of the National Security Traders Association.

R. V. Mosley

Co-Chairmen are: Richard Abbe, Van Tuyl & Abbe, New York, N. Y.; John Hecht, Butler-Huff & Co., Los Angeles, Cal.; H. L. McAllister, T. S. Dickson & Co., Charlotte, N. C.; Paul Yarrow, Clement, Curtis & Company, Chicago, Ill.

Other members of the Committee are: William O. Alden, O'Neal & Alden, Louisville, Ky.; Edward T. Bennett, Jr., M. A. Manley & Co., Detroit, Mich.; Ernie Blum, Brush, Slocumb & Co., San Francisco, Cal.; Arthur W. Brotsch, G. A. Saxton & Co., Inc., New York, N. Y.; Merrill M. Cohen, J. M. Dain & Co., Minneapolis, Minn.; Robert Diehl, Staats & Co., Los Angeles, Cal.; Howard J. Eble, W. J. Mericka & Co., Cleveland, Ohio; Dayton Haigney, Dayton Haigney & Co., Boston, Mass.; Clair S. Hall, Clair S. Hall & Co., Cincinnati, Ohio; Bert H. Horning, Stifel, Nicolaus Co., St. Louis, Mo.; Peter Kosterman, Conrad Bruce & Co., Portland, Ore.; Neil McKnight, Milhous, Martin & McKnight, Atlanta, Ga.; George Mueller, Janney & Company, Philadelphia, Pa.; Frank J. Murray, Day, Stoddard & Williams, New Haven, Conn.; Charles Pinkerton, Baker, Watts & Co., Baltimore, Md.; Eldridge Robinson, Baum, Bernheimer Co., Kansas City, Mo.; Earl M. Scanlon, Earl M. Scanlon & Co., Denver, Colo.; Hugh Schlichting, Wm. P. Harper & Co. Seattle, Wash.; Donald Stephens, First Securities Co. of Chicago, Chicago, Ill.; Robert Woolfolk, Woolfolk, Huggins & Shober, New Orleans, La.

NATIONAL SECURITY TRADERS ASSOCIATION PUBLICITY COMMITTEE

Mrs. Ora Ferguson, Merrill Lynch, Pierce, Fenner & Beane, Louisville, Ky. has been elected chairman of the Publicity Committee of the National Security Traders Association.

Other members are:

Ora M. Ferguson

Atlanta Bond Club: Wayne W. Martin, Milhous, Martin & McKnight, Inc.

Baltimore Security Traders Association: Edward J. Armstrong, Stein Bros. & Boyce.

Boston Securities Traders Association: G. Carlton Jordan, R. W. Pressprich & Co.

Chicago Bond Traders Club: Harold Barclay, Caswell & Co.

Cincinnati Stock & Bond Club: Clair S. Hall, Jr., Clair S. Hall & Co.

Cleveland Security Traders Association: A. E. DeGarmo, Merrill Lynch, Pierce, Fenner & Beane.

Security Traders Association of Connecticut: Leslie B. Swan, Chas. W. Scranton & Co.

Dallas Bond Club: John L. Canavan, Rauscher, Pierce & Co.

Bond Club of Denver: Phillip J. Clark, Amos Sudler & Co.

Security Traders Association of Detroit and Michigan: Harold R. Chapel, McDonald-Moore & Co.

Florida Security Dealers Association: H. George Carrison, Clyde C. Pierce Corp.

Bond Club of Houston: Ed Rotan, Rotan, Mosle & Moreland.

Bond Traders Club of Kansas City, Mo.: Earl W. Price, E. W. Price & Co.

Security Traders Association of Los Angeles: Donald E. Summerell, Wagenseller & Durst, Inc.

Bond Club of Louisville, Ky.: Russell Ebinger, Smart & Wagner.

(Continued on page 153)

New York Curb Has Renominated Posner

Edward Posner, Andrews, Posner & Rothschild, has been renominated to serve another term as chairman of the board of governors of the New York Curb Exchange. Election will be held on Feb. 11.

Andrew Baird and Charles J. Kershaw were renominated as Class A governors for three year terms; Edward A. O'Brien, Charles W. Phelps, Jr. and Victor Verace were other Class A nominees. James A. Dyer was named for a one-year term as a Class A governor.

Charles Moran, Harold C. Patterson, William T. Veit and Charles E. Warner were nominated for three-year terms as Class B governors.

George Herrel and Clarence L. Eckstein were renominated trustees of the gratuity fund to serve three years.

Collyer, Gallagher Elected to Board of J. P. Morgan & Co.

At a regular meeting of the Board of Directors of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, John L. Collyer, President of the B. F. Goodrich Company, and Mr. Ralph W. Gallagher were elected members of the board.

Kassander Addresses Cost Accountants

The Brooklyn Chapter of the National Association of Cost Accountants had as its guest speaker Jan. 9, 1946, Arno R. Kassander, Certified Public Accountant, who spoke on the subject, "Types of Industries to Which Standard Costs Are Applicable and Why."

Mr. Kassander is a Certified Public Accountant of the State of New York and has been associated with Lybrand, Ross Bros. & Montgomery for a number of years.

Predicts Shortage of Industrial Research Workers

Maurice Holland, Founder of Industrial Research Institute and an Advisor of Research, Points Out as Basic Problems to Research Executives: (1) National Legislation as It May Effect Company Policies in Research and Patents; (2) Trained Research Manpower Shortage; and (3) Research in Relation to a Broad Program of Public Relations. Sees "Pure Science" Research Neglected in Industrial Field.

A five-year manpower shortage in industry of trained research managers and workers is predicted by Maurice Holland, research adviser of New York. With industrial technology booming, Mr. Holland also reported surface indications now indicate a migration of research men and women from the industrial East to the Mid, South and Far Western sections of the United States.

Maurice Holland

With technology thriving in the industrial field, Mr. Holland found fundamental or pure science research was being neglected and not supported.

The above trends were announced by Mr. Holland in his annual year's end survey of research, prepared for the Collier Year Book of the National Encyclopedia.

More than 70 new industrial research laboratories will be built, according to Mr. Holland's survey, as soon as construction conditions permit, and hundreds of existing research laboratories will be expanded or remodelled. A pressing need for high grade and specially trained research men and women now prevails and will increase, Mr. Holland stated.

In reviewing the migration trend from East to West, Mr. Holland said: "There seemes to be a migration of trained research workers to the Middle West from the Eastern seaboard laboratories. Many of the staff of Midwest Research Institute, Armour Research Foundation, and no doubt Battelle, got their early scientific training in Midwestern universities and colleges then came to the Industrial East, which 10 and 20 years ago had the greatest concentration of industrial research laboratories and hence, opportunities.

"Lately, there are apparently surface indications that the trend has reversed. Native sons trained in science at Iowa, Illinois, Purdue, Missouri, Kansas, Indiana, Wisconsin, Nebraska and Minnesota, are going home. They are more interested in a way of life—than merely high salaries.

Covering other industrial problems in his year's end review, Mr. Holland said: "Research executives in industry have three basic and primary problems at the front of their minds.

"(1) National legislation as it may affect company policies in research and patents.

"(2) Trained research manpower shortage now, and for at least five years after the war.

"(3) Research in relation to a broad program of public relations."

Mr. Holland is adviser to the Armour Research Foundation, Midwest Research Foundation, and various manufacturers. He is a founder of the Industrial Research Institute, and for many years, director of the National Research Council, Division of Engineering and Industrial Research.

This announcement appears merely as a matter of record, and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities.

NEW ISSUE

52,000 Shares

Fansteel Metallurgical Corporation

Common Stock

(Without Par Value)

Of the above mentioned 52,000 shares of common stock 51,872 shares were subscribed for at the subscription price of $61 per share by the stockholders of the corporation or their assigns upon exercise of subscription warrants which expired on December 26, 1945. The balance of 128 shares, together with 6,000 shares subscribed to by the underwriters upon exercise of subscription warrants purchased by them from certain stockholders, have been purchased from the corporation by the underwriters.

Hallgarten & Co.

Blyth & Co., Inc. Mellon Securities Corporation

Clark, Dodge & Co.

Central Republic Company (Incorporated) Paul H. Davis & Co.

Paine, Webber, Jackson & Curtis

January 4, 1946

Railroad Securities

One of the difficulties confronting railroad analysts is trying to see what justification there could be for speculative activity in, and enthusiasm for, the common stock of Lehigh Valley. From an operating standpoint there is much to be said for Lehigh Valley but when you have granted that you have said just about all there is on the favorable side of the picture. The road is heavily dependent on anthracite coal tonnage with all of the unfavorable implications the long term downtrend in that commodity carries. Over a period of years the revenue trend has been less favorable than that of Class I carriers as a whole and in a number of pre-war years the performance was inferior to that of roads operating in the same general territory. Nothing has developed in the war years that would be calculated to cause any material change in the road's basic traffic position.

The management has been notably successful in adjusting operations to the lower traffic base. However, little has been accomplished along the lines of bringing the debt structure down into line with the traffic and earnings potentialities in a normal economy. In this respect the road was peculiarly unfortunate. As earnings were stimulated by war activity and cash began to pile up the road was forced to utilize the funds for retirement of bank and RFC loans and for payment of postponed interest on the junior mortgage bonds. Then adverse court decisions necessitated substantial cash payments to New Jersey on account of back taxes and interest and penalties thereon. All of these obligations had to be met at their full face amount while other roads burdened with too heavy debt structures were taking advantage of the war boom to purchase at substantial discounts, and retire, bonds outstanding with the public.

As a result, Lehigh Valley in the period since 1935 has been able to reduce its fixed charges by slightly less than 8%. This compares with reductions of more than 30% for Delaware, Lackawanna & Western and more than 40% for Missouri-Kansas-Texas to cite two of the poorest credits among the railroads which avoided receivership or trusteeship in the 1930s. That the road's debt structure is far too heavy seems obvious from the fact that in three of the six years preceding 1941 the present charges would not have been covered and in the best year of that period (1936) the coverage would have amounted to only 1.27 times.

In two of the war boom years, 1942 and 1943, the company did report substantial earnings, with more than $5 a share shown for the common in each year. In 1944, with results distorted by a charge for penalties on New Jersey taxes, earnings on the common dipped to $0.65 a share and for 1945 it is now indicated that the road will report a deficit. Distortions due to acceleration of amortization of defense projects, etc., do not account fully for this anticipated poor showing. The road has been experiencing a far greater than average contraction in gross revenues for a number of months and on the basis of traffic reports it is indicated that this condition was continued right up to the close of the year.

On the basis of its past record, aggregated by substantial bond maturities in 1949-1951, it is generally conceded that Lehigh Valley will almost inevitably eventually have to undergo some form of capital revision. Presumably this will be in the nature of a voluntary plan such as that of the Baltimore & Ohio and not a Section 77 proceeding so that at least the equity would not be wiped out. On the other hand, there is little question but that any voluntary plan formulated would have to include provision for utilization of excess earnings for debt retirement with a consequent restriction on dividends until the debt is reduced to a reasonable level.

If we were entering the war boom this might not be too onerous a consideration as fairly rapid debt retirement might be in prospect. Coming into a normal economy, even though it be a period of prosperity, there can be little promise of excess earnings sufficient to provide for liberal sinking fund payments. In fact, with present higher costs, and the prospect of further wage increases this year, a level of business somewhat above the 1941 level would presumably not produce earnings much, if any, above $1.00 a share on the common.

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The Outlook for Interest Rates

(Continued from page 123)

trolling factors which determine the level of interest rates. But, no! The old school-tie boys say: Everything which has happened in this field in the last 12 years has been artificial and abnormal; that a correction is bound to come and when it does it will be all the more severe because it's 12 years late!

Basis of "Low Interest Means Inflation" Theory

Let us examine the basis of this die-hard contention (and, I think it is fair to call it die-hard after 12 years of conspicuous error!). Upon what do the distinguished economists, who back this contention, base their claims?

First, these economists continue to impute the same significance to gold that it had in, say, 1930. As everyone knows, the power of the monetary authorities to influence the money market was limited so long as our currency and credit were rigidly tied to gold. *But*, this condition no longer exists! In most countries there is no direct relationship between the quantity of gold held by the central bank and the volume of credit. Even in the United States, the tie-up is a flexible one. Thus, we have reduced our required gold *certificate* ratio, i.e., the ratio of gold to notes and deposits of the Reserve banks, from 40% to 25% so that $25 of gold will now support $100 of member bank reserve balances at the Federal Reserve Banks and this $100 of reserve balance will support from $500 to $1,000 of commercial bank credit, depending on the reserve requirements in force. The amount of credit which our 20 billion dollars of gold will legally and comfortably support on this basis is many times the foreseeable demands which will be made on our banking system. There is ample room here for the monetary authorities to expand the credit base. Surely there can be no question whatsoever that under these conditions the money market can be controlled in a country with a modern central and commercial banking system such as ours.

The "it cannot last" economists completely over-emphasize quantity in the equation of exchange. Now, quantity, of course, is important; but to assume that it is a controlling factor is wrong. When the quantity of money and credit is greater than the people *want*, they simply slow down the turnover—velocity drops as it did during the war. On the other hand, when the quantity is less than people *want*, they increase the quantity by borrowing and, at the same time, they increase the velocity by working the existing quantity harder. Thus, the annual turnover of demand deposits in 100 leading cities, other than New York, is currently around 15 in contrast with a turnover of some 70 times a year in 1929.

To assume that a large quantity of purchasing power will inevitably and inexorably lead to wild inflation is to rely on mechanistic and behavoristic principles which are not realistic. Man is neither a machine nor an animal. In America, at least, he still has freedom of choice in respect to spending. And, he can always decide to "sit out the dance," just as he did the dollar devaluation fiasco of 1934. Mathematically, prices had to go up at that time, the theorists said, because the gold content of the dollar was lowered; but it didn't work out "according to plan." There are many, many influences on prices which are more important than quantity.

One of the most powerful of these influences is "psychology." In this connection, in passing, it is interesting to note that the economist who seems to have the greatest fear of the present quantity of bank credit, made his reputation some 30 years ago by his brilliant attacks on the quantity theory of money and all it stands for.

Other than the self-seeking utterances of the bureaucrats, most of these prophecies of doom and disaster via inflation stem from this over-emphasis of the older economists on the importance of the quantity of purchasing power. This is probably as good a place as any to take a look at these prophecies. Unquestionably, the great majority of the economists expect inflation; even though many of them are a little shy about breaking into print on the question, they will unhestitatingly assure you, privately, that the die is cast.

No Danger of Inflation

Of course, we *can* have inflation in this country. But it will be difficult. It will be almost as difficult as the domestic "tragedy" of Pat who had just lost his wife in an automobile accident. In an effort to console him, the priest said, "It's hard to lose a good wife." "Yes, Father," replied Pat, "it's almost impossible."

Obviously, the Government can inaugurate unsound policies which will cause inflation. Obviously, if labor continues to refuse to produce, inflation is inevitable. Obviously, the American people *can* go on a spending spree and bring inflation down on themselves. But, I am enough of an optimist, or possibly an idealist, to believe that these groups have too much common sense to emulate Samson and pull the temple down about our ears.

The economists, who take a look at the quantity of our swollen volume of credit and immediately anticipate wild inflation, do not give sufficient weight to the following:

1. The high standard of living of our people. Putting purchasing

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power into the hands of the American people, who are already on a luxury basis by European standards, is quite different from making purchasing available to people who do not have the elemental necessities of life.

2. The wide use of consumer credit even before the war made the man in the street largely independent of the volume of bank credit. He bought when the urge to buy asserted itself—if he had cash he used it, otherwise he used credit extended by a sales-finance company. Lack of wherewithal never stopped an American from buying anything, *if he wanted to buy it.* Consumer credit will be expanded greatly, now that the war is over, so that available cash will be of little consequence as a limiting factor in this country.

3. Since World War I dumped the gold of the world in our lap, credit expansion in our banking system has never been held back by a shortage of gold. Furthermore, since the inception of the Federal Reserve System in 1913, member banks have been able to borrow reserves and have thus always been able to expand their credit far more than they actually did. Since 1913, it has been the good sense of the bankers and the public which has saved us from inflation. In other words, inflation has been possible since that time but it has never gotten out of control so far as the *quantity* of money and credit is concerned.

4. Our banks, corporations and individuals end the war with the strongest financial position with respect to both credit and capital of those of any country in the world.

5. We also ended the war without direct war damage at home and with productive facilities far beyond the needs of the country, if such a thing can be possible. With half a chance, our industrial machine can produce not only the goods we need, but also an enormous volume for export. We produced for most of the world in wartime; surely, we can produce all we need for ourselves in peacetime! In fact, the huge productive capacity of the country is the best safeguard against inflation.

This is not to say that prices will not go up. Of course they will—say from 5% to 20% or possibly even more. Taxes are higher and labor costs are higher; so, higher prices, yes; inflation, no!

The Sound International Status of the Dollar

There is one especially favorable factor in the present monetary situation which has not been sufficiently stressed. That is, the relative international value of our money. It is the best in the world, which means that we do not have to fear a flight of capital. On the contrary, all of the indications point to the opposite. From the standpoint of the supply of needed goods and from the standpoint of safety, the United States will prove an irresistible magnet for the funds of the entire world for a long time to come.

The Interest Rate and Savings

To return to the economists who say that we have reached the end of our economic rope and that we must put up interest rates if they do not go up themselves, they over-emphasize the importance, in modern society, of the interest rate as the determining factor in the rate of saving. High interest rates, they say, induce individuals to postpone the satisfactions of present spending to some indefinite future time. Conversely, low interest rates, they hold, discourage savings—people feel the reward is inadequate and they spend current income and even accumulate savings.

This theory may have been applicable in the days of rugged individualism but it does not fit the modern scene with its corporations, institutional savings and the everlasting quest of the common man for social security (financial safety). Corporations will set aside depletion, depreciation and other reserves regardless of the rate of interest. People will buy insurance with but little regard to the accumulation rate. Likewise, higher interest rates or lower interest rates on savings deposits do not seem to have much, if any, direct influence on the rate of saving. (Such rates may affect the competitive position of the savings banks with regard to the other savings institutions, but even this is an unproved assumption.)

It is doubtful that this high-low interest rate theory is even applicable to most small savers. They save for protection, for a rainy day, for old age, for misfortune, or for something specific. The small saver's first concern is undoubtedly safety of principal and his next concern is easy availability of part or all of his savings. Convenience, friendly treatment, and habits of saving also influence him a great deal. This is not to say that interest should not be paid. It is instead an effort to point out that the *rate of interest is not the only factor nor is it the most important factor affecting the rate of capital accumulation from savings.*

No, this theory of automatic regulation of the volume of savings by an all-powerful interest rate is an over-simplification in these days of indirect and institutional savings. As a matter of fact, in several fields of saving the effect of the rate of interest is the exact reverse of the theory. Thus, the lower the rate of interest, the more a saver has to accumulate in a pension fund to protect old age. Likewise, larger payments must be made to the insurance companies for insurance protection and to the savings banks for emergency reserves. In fact, *to secure the same protection in all lines of capital accumulation,* there must be more actual savings by the individual under a low rate than under a high rate of interest.

The "interest - rates - must - go higher" economists have very long memories on certain points and practically no memory at all on other, just as important, points. For example, take their continual reference to interest rates on the public debt as being "low." To be sure, these rates are lower than those which prevailed in the past in the United States. But compared with the historical rates on British Consols or even the 2% rates which ruled on the Imperial German Government bonds just before World War I, these rates are high!

Effect of Mature Economy

Obviously, as our economy becomes more mature and as we become more familiar with a large public debt we must anticipate lower rates in the Government bond market.

So, what do they mean, "cheap money"? They should look ahead, not back. They should get over the idea that there is something "normal" or "sacred" about the Liberty bond and other prewar rates. The status quo ante is of historical interest, but it doesn't follow that we have to return to it! These economists remind me of the stock brokers, who said stocks were "too low" in the October, 1929, break. Some of us said, "You call these prices low? Wait until you see next year's prices!" The stock experts again said prices were too low in 1930 and our answer was the same. Again in 1931 the same claims were made and the same answers given; and it was not until 1932 that stock speculators really learned what was meant by the term, "low"!

As Josh Billings, the New England cracker barrel philosopher, put it, "It's better not to know so much than to know so much that ain't so."

No discussion of the trend of interest rates, particularly the rates on the public debt, should fail to give consideration to the political aspect of the problem. In a democracy, where both the politicians and the monetary authorities have their "ears to the ground," the political angle is almost a controlling one. So, let us descend into the realm of practical politics and see what economic groups in the body politic desire interest rates to go to a higher level.

Business, on the whole, is a debtor and thus favors low rates. Professional management feels that liquidity of idle funds is of greater importance than the return. As a matter of fact, a large part of their liquid assets is in demand deposits, so, rate of return is of little consequence to them.

Labor feels that the lower the interest costs of business the more dollars there will be available for wages. The savings of labor can be placed in the 2.9% Series E bonds, which gives them a fairly satisfactory rate of return. No, labor is not interested in higher interest rates.

Farmers, one of the strongest pressure groups, on the whole are borrowers and thus now, and traditionally, favor low interest rates.

Commercial banks no longer have the pressure for higher interest rates. Their resources have more than doubled, they no longer have to pay interest on demand deposits, the interest paid on time deposits is lower than ever before, and their earnings on invested capital are high. From a public relations standpoint, they should oppose higher interest rates.

Savings banks, likewise, are under no compulsion to seek higher rates. Most of them are mutual and the decline in interest is simply reflected in declines in dividends paid depositors.

Insurance companies are adversely affected on their old policies which provide for a higher accumulation rate. On the new policies, which are based on the lower rates of interest, they have no problem. Furthermore, as everyone knows, they have a considerable cushion in the mortality tables—a cushion which is continually augmented by the discovery of new medicines—the sulfa drugs and penicillin, for example. In most cases, in one way or another, the insurance companies will be able to shift the problem of lower interest rates to the buyers of insurance and, as I said earlier, their attitude is not appreciably influenced by the rate of interest.

Eleemosynary institutions such as schools, my own university, for example, hospitals, etc., have been adversely affected by the decline in interest rates. But politically these institutions are impotent and economically they are not very important. In fact, the trend in the entire field is toward nationalization of such institutions. Government owned or subsidized schools or hospitals are increasing at a rapid rate and may be the political solution of their rate-of-return difficulties.

Wealthy individuals, particularly those living on bond income, have been hard hit by the current lower interest rates. Their incomes have declined, their taxes have increased, and their cost of living is higher. They would like interest rates to go up. But let us be realistic: their political influence is negligible. In fact, the effort during the last 12 years to spread the national income more widely has been specifically directed at this economic group.

So, then, other than the politically impotent rentier class, who wants higher interest rates badly enough to fight for them?

On the other hand, the Government wants low interest rates. The Government through the Federal Reserve Board, a politically appointed agency, can expand the credit base. The resulting excess reserves will drive banks into the market to buy Government securities, etc. I do not see in the immediate future any serious limitation on their power to do this.

Strong Money Market Position

Also, from the standpoint of the more important supply and demand factors, the money market is in an exceptionally strong position. Thus, next year the redemption of Government securities held by business in various reserves, and continued redemption of E, F and G bonds, especially the E bonds, will result in increased deposits if the financial burden of these bonds is shifted to the banks. The budget deficit for next year will also result in a further increase in deposits as the bonds are sold to the banks. Also, the return flow of currency to the banks and the inflow of gold into the United States (which promises to become a golden torrent) will increase both deposits and reserve balances.

Recapitulation

In closing, let me recapitulate: While there is a danger of inflation I believe that as soon as the labor disputes are settled the danger will gradually recede.

I do not concede that we *have to have* higher interest rates.

I do not see any politically powerful groups seeking higher interest rates.

I maintain that the monetary authorities will be able to continue their tight control of the money market in the foreseeable future.

I think it is to the interest of the Government and society to keep interest rates down.

I am convinced that the demand and supply factors during the coming year will be such that the Government will not have to exercise any of its great technical powers in the money market to keep rates from going up. If exercised at all, it will be to keep rates from going down.

And so, finally, I hope I have made it clear that interest rates do not have to be increased to prevent inflation. I also hope that I have made it clear that the orthodox theories of interest do not fully explain the present day behavior of interest rates.

This is under no circumstances to be construed as an offering of these Debentures for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Debentures. The offer is made only by means of the Prospectus.

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Smith, Barney & Co.

January 9, 1946

Mutual Funds

ANNUAL REPORTS

Tangible evidence of the excellent results achieved by mutual funds during 1945 is now coming to hand in the form of their annual reports. In a number of cases fiscal years were changed in 1945 to end on Nov. 30 so as to enable the companies to furnish shareholders with complete dividend information for income tax purposes before the end of the year.

Group Securities, Inc.

A rise of 103% in net assets to $82,873,498 is reported by **Group Securities** in the 11-month period covered by the fiscal year ended Nov. 30, 1945. A further increase of nearly $5,000,000 occurred during the month of December, raising net assets to over $87,500,000 at the year-end and moving the company into third place in size among mutual investment funds.

During the fiscal year total distributions to stockholders amounted to $5,881,221 of which $3,779,678 represented net profit on the sale of securities. Unrealized appreciation of securities owned amounted to $18,162,104.

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Investors Mutual, Inc.

Net assets of **Investors Mutual** increased from $45,915,241 to $77,748,453 during the calendar year 1945, showing a net increase of $31,833,212.

Total dividends for the year amounted to $3,608,534 and unrealized appreciation was approximately $15,500,000 as of Dec. 31, 1945.

American Business Shares, Inc.

In a report outstanding for its attractive and clear-cut presentation of the facts and figures, **American Business Shares** summarizes by means of a simple bar chart the results of the 11-month period covering its fiscal year ended Nov. 30, 1945.

Asset value at the beginning of the year amounted to $3.80 per share and on Nov. 30, 1945 had risen to $4.84, an increase of 27.4%. With dividends of 18¢ per share from security profits and 14¢ per share from net investment income, the total increase in asset value plus dividends amounted to $1.36 per share, or 35.8%. Net assets of the fund were $37,123,213 at Nov. 30, 1945 and unrealized appreciation amounted to $8,187,248.

New York Letter

Hugh W. Long & Co., in the current edition of the New York "Letter" eschews the usual year-end forecast of things to come and devotes the space to a discussion of the advantages to the individual investor obtainable through the 20 Industry Series of **New York Stocks, Inc.**

"At any given time, the outlook for some industries is more favorable than that for others, or for the market as a whole. In addition, the securities of certain industries tend to be more volatile than those of others. Consequently, in periods of rising prices a number of industrial stock groups will greatly outpace the general market, while others will lag behind. Obviously, in periods of declining markets the securities of volatile industries entail the possibility of greater-than-average loss . . ."

"Thus, the Industry Series provide the investor with a means for establishing a program which can be as aggressive or as defensive as he wishes. If better-than-average appreciation is his goal, he can concentrate on those industries which seem most likely to out-perform the general market. If he desires relative stability of income, or to reduce his risk in common stocks when doubtful about the trend of the market, he can use the more stable industry groups."

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Fully Administered Shares

Distributors Group, in a new folder on **Fully Administered Shares** describes this Class of **Group Securities** as "a completely managed fund for growth." In the management of Fully Administered Shares, writes this sponsor, "conservative methods are applied to achieve moderate objectives. The record shows that the results usually surpass the objectives."

Although at no time have more than 60% of the Fund's assets been invested in common stocks, the growth in asset value per share during the past three years has exceeded the rise in the Dow-Jones Industrial Stock Average by over 65%.

Investment Prospects and Atomic Bombs

The two most recent issues of **Keystone Co.'s** weekly "Keynotes" discuss investment prospects in 1946 and predict that more "atomic bombs" are coming in the form of new inventions and discoveries which will profoundly affect the competitive situation of individual companies and industries.

"In spite of labor troubles and Government price fixing—both of which are, for the time being, retarding production of goods in many lines—the conditions essential for business prosperity are still present in overwhelming force. By the same token, the promise of favorable corporate earnings, lower tax rates and a huge supply of idle capital seeking investment, provide a strong demand for both bonds and stocks. . .

"In this age of intensive specialization, the individual investor cannot hope to keep abreast of all the significant developments in the industrial world. There aren't enough hours in the day for him to properly supervise a diversified investment list. Buying securities to 'put away and forget' was always unsound investment policy. Now. more than ever, it is filled with hazards. Now, more than ever, successful investment requires careful selection, wide diversification and professional supervision."

Wellington Fund

In a memorandum on 1945 dividends, **Wellington Fund** reports that the total of $1.50 per share including regular earnings and security profits are taxable as follows:

Percent of total representing dividend income 41.36%.

Percent of total representing long-term capital gains 58.64%.

The memorandum calls attention to the fact that only 50% of long-term capital gains are taxable and goes on to include helpful information for the investor in reporting his Wellington Fund dividends on his income tax return.

Interest Rates

· **National Securities & Research Corp.** presents in the current issue of Investment Timing an article by its economist, Dr. Fred R. Macaulay, on "The Future of Interest Rates." After surveying the present factors governing interest rates and discussing the arguments for cheaper money on the one hand as against higher interest rates on the other, Dr. Macaulay concludes as follows:

"Although sharp expansion in business may ultimately exert pressure in the direction of higher rates, with the Government in control of the money market it seems clear that for the foreseeable future the present low rates of interest on both Government and corporate bonds will be maintained."

* * *

The year-end edition of Investment Timing includes a short article by Dr. Max Winkler on "Credits to Britain" and summarizes the year-end position of the Investment Timing Index. Each of the eight factors in the index is discussed separately and the composite signal is reported as continuing upward.

6% to Dealers

Lord, Abbett has announced the establishment of a standard concession of 6% to dealers on all Lord, Abbett funds except **Union Bond Fund A** which will continue on a gross loading charge of 3%, with 2% going to the dealer.

On single orders of $50,000, but less than $100,000, the gross commission on all funds except Union Bond Fund A will be reduced to 4½% and the dealer selling commission 3%. On single orders of $100,000 or more, the gross commission on all funds will be 3% and the dealer selling commission 2%.

* * *

In an Investment Bulletin on **American Business Shares**, the **Lord, Abbett** management lists the favored industrial stock groups for 1946. The list is prefaced with the warning that it is important to remember "that within groups widespread differences in valuations as between individual stocks will occur." The list includes: air conditioning, aircraft, airlines, automobile auto trucks, auto accessory, biscuit and baking, building material, chemical, department stores drugs, floor covering, liquor, mail order, movies, paint, paper, publishing, radio, railroad equipment, rayon, rubber, soft drinks soap and textiles.

Mutual Fund Literature

Selected Investments Co. — A printed copy of a speech, "Looking Forward," by President Edward P. Rubin of **Selected American Shares. . . . Fidelity Fund Inc.**—168th Monthly Report; reprint of article by Alec B. Stevenson, "The Use of Mutual Investment Funds for Trust Investments." . . . **Lord, Abbett**—Current issues of Abstracts; supplemental information to the prospectuses on **American Business Shares, Affiliated Fund** and **Union Trusteed Funds**; Composite Summary folder for January. . . . **National Securities & Research Corp.** — Portfolio memorandum showing changes during December in all National-sponsored funds; Current Information folder for January. . . . **Keystone Co.** — Revised general prospectus dated Dec. 20, 1945 covering all 10 **Keystone Custodian Funds** supplementary prospectuses dated Dec. 6, 1945, on **Keystone B-3, B-4, K-1, S-1** and **S-4**; Current Data folder for January on all Keystone funds.

Dividends

Manhattan Bond Fund, Inc.—Ordinary Distribution No. 3[illegible] amounting to 9¢ per share and an Extraordinary Distribution amounting to 5¢ per share for a total of 14¢ per share payable Jan. 15, 1946 to holders of record Jan. 5.

Dunn & Co. in Austin

AUSTIN, TEX.—James L. Dunn has resumed his investment business from offices at 112 East Ninth Street, under the firm name of Dunn & Co. Mr. Dunn has recently been on active service.

New Ideas Discussed

(Continued from page 124)

"smoke screens" to protect orchards and groves against frosts and insects . . . paint mixed with D. D. T. to kill flies and mosquitoes. . . .

A year ago I mentioned the new art of recording music, messages, etc., on magnetized wire; well this is now on the market. A new one that hasn't yet been marketed is truly hole-proof stockings made out of ramie instead of cotton or rayon . . . a machine for projecting reading matter on the ceiling so you can read actually lying down . . . new methods of home heating where the heat radiates through the plaster, eliminating registers, radiators, etc. . . . a new "packaged kitchen" whereby the refrigerator, stove, incinerator and dish washer will be a part of the same machine . . . a new flooring known as stonoleum which can be applied directly over concrete floors avoiding dust and cracking . . . a new machine to automatically figure dividends, pay rolls and do billing at the speed of 4,000 per hour.

Salesmen vs. Inventors

As the vacuum cleaner put grandma's whisk broom out of business, the new electric dust collector destroys the dust so that even a bag is unnecessary. . . . A new type of oil coating housewives can use to prevent fruits and vegetables from getting dry and prevent ham and other meats from getting moldy is being sold. To offset this, the vacuum cleaner salesmen will offer a new electric clothes brush! We will no longer need to telephone our telegrams but simply write them and drop them in a slot and they will be delivered by facsimile television.

Some GI men will be selling fountain pens which need filling only once in ten years, and new dry-cell batteries which will outlast two hundred of the old fashioned kind. The bedroom windows will rise and fall automatically by pushing a button under your pillow (I already have one); while old-fashioned window screens will be seen only in museums. I could write a column on new plans for the frozen food industry and also forecast that your grandchildren will break no dishes or glassware—why? Because they can't be broken! The best opportunities, however, will come to those who SELL these things rather than to the inventors.

Chemical Products Enticing

Great steps are being taken in colored photography for amateurs. I expect soon to have an electronic bread toaster on my table, requiring no cord connection with the wall. During 1945 one of the leading investment houses sold stock for an entirely new process of marketing powdered fruit juices. 1945 showed great strides in fluorescent lighting. All our garden seeds may soon be immunized so that no bugs will attack the plants. New developments in x-ray read like fairy tales.

Hundreds of new uses for rubber are in the offing while microphotography has some surprises. We must also remember the possibilities in ply-wood and super-rayon. Electronic eye-glasses may do for the nearly blind what hearing-aids are doing for the deaf. New synthetic foods, flavors and aromas have great possibilities and the rayon factories may soon be turning out candies, cookies and other food products. PLEASE DON'T WRITE ME FOR FURTHER PARTICULARS REGARDING ANY OF THE ABOVE THINGS. I AM NEITHER AN INVENTOR NOR CHEMIST BUT AM MERELY PASSING ALONG NEWS AND DREAMS.

Wallace Sees Shift To More Spending

(Continued from page 127)

producers' goods will continue to create inflationary pressures which will not be relieved until production volume is sufficiently high to meet these demands. Price control, therefore, will continue to be necessary until supply and demand come more nearly into balance. Furthermore, price control in this period is essential to the prevention of speculative movements and to the achievement of an orderly expansion of output.

In the first half of 1945 total national production rose to an annual rate of $205 billion. The sharp curtailment of war expenditures following V-J day was partly offset by an increase in expenditures for consumption and for private capital formation. As a consequence, a 50% cut in war purchases from the first half to the fourth quarter of the year was accompanied by less than 15% decline in total national output. The shift in production during the year is indicated by the fact that war expenditures accounted for more than two-fifths of the total output in the first half of the year but only for about one-fifth in the last quarter.

All major components of private expenditures shared in the expansion. Business purchases of machinery and equipment rose substantially during the year and deferred demands were being met at expanding rates. In construction, shortage of materials constituted important obstacles to the resumption of activity. Although housing construction increased sharply on a percentage basis, it was obvious that by the end of the year little progress had yet been made in satisfying the accumulated needs of civilians, and of returning service men.

As is natural in the process of reconversion to a civilian economy, an important part of productive activity was directed toward the replenishment of civilian goods inventories, many of which had been reduced to minimum levels during the war period. Thus, in spite of the sharp liquidation of privately held inventories of war goods, total business inventories showed a pronounced net increase in the second half of the year, after a period of decline which started in the second half of 1941.

With the release of resources for civilian use, more goods and services were available for consumers in 1945, although the supply of many important consumer durable goods such as automobiles, refrigerators, washing machines, and radios was still negligible and deficiencies in relation to demand were also evident in a wide range of soft goods and services. Consumers spent for goods and services about $103.5 billion in 1945 compared with $98.5 billion in the previous year. The holiday trade in the fourth quarter was the highest on record, notwithstanding the fact that many commodities of prewar quality were unavailable.

Expenditures for nondurable goods, already at a high level at the start of the year, increased in dollar totals over the previous year by about 5% in the first three quarters and by about 7% in the fourth quarter of the year.

Durable goods expenditures, which in the first three quarters were about 6% above the previous year, increased by 15% in the fourth quarter. The outstanding gain was in the automotive group with 25%, due primarily to expenditures for repairs, parts and accessories. Sales of durable goods were considerably below what consumers would have spent, had sufficient supplies of this type of goods been available.

The effect of declining war expenditures on the flow of incomes was most evident in the shrinkage of total wages and salaries. These payments dropped by 12% from the first to the fourth quarter of the year. The demobilization of the armed forces accounted for some of this decline, although the bulk of it occurred in the civilian sector where the principal factors were the reduction in hours worked, loss of overtime pay, and some decline in employment.

In contrast, income of farmers and independent businessmen showed little change from the wartime peaks. Corporate profits were more adversely affected by the cutbacks in war production. Nevertheless, for the year as a whole, profits after taxes are estimated to have exceeded those of any prewar year.

Income payments to individuals are estimated at $160 billion in 1945, an increase of $4 billion over 1944, notwithstanding the slight decline in the national income. In addition to payments for productive services which are reflected in the national income, income payments include such transfer items as allowances to soldiers' dependents, mustering-out pay and unemployment compensation. The total of these items mounted rapidly during the year and reached an annual rate of over $10 billion in the last quarter. That consumer expenditures were so well maintained after the end of the war was in part due to the expansion of these payments.

An additional factor bolstering business activity was a shift from saving to consumption. Thus, the proportion of income after taxes which was saved by individuals dropped from 30% in the first half of the year to 20% by the fourth quarter.

Even though the shift in the proportion of income spent was substantial, the peacetime relation of consumption to income had not yet been reestablished. If supplies of durable goods and certain scarce items of nondurable goods and services had been adequate consumers would have spent in 1945, on the basis of prewar income-spending relationships, from $115 to $120 billion—that is, $10-$15 billion more than they actually spent.

As we enter 1946, we are confronted with an economic situation which differs in many aspects from that which we faced a year ago. Then, we had a single purpose which was to devote the requisite economic resources to the complete defeat of our enemies. In cooperation with the Allied powers, this was signally accomplished by mid-year. This complete victory was promptly followed by the shifting of our resources to nonwar use.

The process of shifting and adjustment is still in progress, and may be expected to continue throughout the new year. Our major problems to be overcome include the speeding up of output in the reconverted industries; the reemployment into civilian occupations of the millions of veterans; the holding of the line against inflation until such time as this danger is removed by the greatly enlarged flow of goods and required services; and the development of balanced relationships between prices and costs so as to lay the basis for extending business prosperity after the impetus now imparted by deferred demands arising from the war has spent its force.

Kennedy V.-P. of Lowe Co.

MINNEAPOLIS, MINN.—W. H. Kennedy has been elected a vice-president of Justus F. Lowe Co., First National-Soo Line Building.

The Future of Interest Rates

(Continued from page 123)

have bought other Government securities of higher yield and longer term than the 90-day Bills or 1-year Certificates of Indebtedness, thus creating supplies of commercial bank deposits adequate to meet the Government's and the public's increasing requirements for cash.

The whole process has led to a continued expansion of the entire monetary and banking system of the country. As a result, the supplies of reserve balances in the commercial banks and of deposits in the hands of the public have kept pace war war-time demands, and interest rates have shown a tendency to decline rather than to rise.

Indeed, the investment yields on Government securities have now declined to a point where considerable concern is expressed lest they shrink further. The low interest rates on Government securities has created an artificial abundance on the entire credit market and caused all other creditors, institutional and private, to revise their interest claims downwards in order not to be excluded from a market in which they are in competition with the cheap money coming from the Federal Reserve banks.

While it is hoped that it will not be regarded as a precedent to be followed, it is observed that the newly nationalized Bank of England, at the direction of the Labor Government which has been in power since July, has reduced the interest on short-term Government loans to ⅝% compared with ⅞% still maintained here.

There are two schools of thought in this matter, one favoring further lowering of interest rates by the Government, if possible, and the other advocating a raising of the rates.

Secretary of the Treasury Fred M. Vinson puts the case for continued easy money: "Low rates make it possible for the home buyer to get more house value for each dollar of monthly payment; for State and local taxpayers to get more schools and more hospitals for their tax dollars, and for industrial concerns and public utility companies to get more plant for every dollar of their fixed charges."

As opposed to this, the other view is that an excessively low and declining interest rate, besides gradually crippling endowed charitable institutions, insurance policy holders and individuals living on fixed income-yielding investments, thus eventually reducing "nest egg" income of millions of individuals, will in this process tend to discourage future savings and, therefore, discourage capital formation, hinder technological improvements, and in general to impede economic progress.

One large financial institution advocates stiffening of the Government's short-term interest rates, contending that, while a small upward revision may appear insignificant, its importance would lie in the psychological effects of such a basic change in Government policy; that, by such a step, the public would realize that the Government had moved from a prolonged stand in favor of cheaper and cheaper money to one in which its primary objective would be to achieve stabilization of the existing rate structure.

Advantage to Treasury

While there seems no general disagreement about the desirability of retaining "cheap" money, there is increasing belief that the advantage to the Treasury of having extremely low rates is perhaps less important than would be the advantage to the public at large of having the ownership of the Government securities less in the hands of the commercial banks than it is at present.

The leading economists of the country favor transferring the bank-held debt to non-bank investors, but they generally admit that higher interest rates will be required to make future refunding issues of Government securities attractive enough to be sold to other investors than the commercial banks.

Now that the Bretton Woods agreement has been ratified the time is approaching when the World Bank will issue its own securities, underwritten by various member countries, and sell them to investors on a 3% to 3½% basis including a guarantee. It is too early, however, to appraise the effect of this development on domestic interest rates.

Our view is that in the foreseeable future there will be little or no change in Government short-term interest rates. If there arises a strong demand for new money as a result of sharp expansion in business, there will be come tendency to stiffen the rates of first-grade corporation bonds. Medium-grade and second-grade bonds would tend to be relatively little affected in the early stages of such a movement because of the increase in their earning power and resulting improved quality.

If no great demand for funds results from business expansion, high-grade rates should remain at about the present level, at least as long as the present Administration is in power in Washington.

It is recognized that much of the refunding and refinancing that has been possible to corporations through progressive contraction in money rates has been carried through, and, with the money market now at or close to an irreducible minimum, fewer of these undertakings will be seen. As many corporations are now in a strong position to finance by means of stocks rather than by means of bonds, new capital financing may afford former bond buyers a greater participation in equities.

Conclusion

Although sharp expansion in business may ultimately exert pressure in the direction of higher rates, with the Government in control of the money market it seems clear that for the foreseeable future the present low rates of interest on both Government and corporate bonds will be maintained.—Reprinted from the January issue of "Investment Timing," published by the Economics & Investment Department of the National Securities & Research Corporation, New York, N. Y.

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January 10, 1946

The Goods-Shortage Situation

(Continued from first page)

lot of the things that go into civilian living. A huge pent-up demand has therefore been created. Another reason is that many of our raw materials, depleted by this costliest of all wars, still are very scarce while the need for some of them is greater than ever before. Lumber and tin are examples of raw materials shortages, while textiles are scare for various reasons, including a lack of manpower. Among still other reasons for the shortages are industrial disputes, work stoppages, either present or in prospect, and reluctance to make long-term commitments for fear of inflation.

1946 Prospects

You know these factors are in the picture. I do want to discuss with you just what our situation is today on consumer goods, as we see it in Washington, and what the prospects ahead of us are. In other words, what is the consumer goods production outlook for 1946? And what is being done to fill your needs and those of your customers? That is what I want to talk about today.

There are no easy answers and no single simple solution and I am not going to try to give you any. One of the easy answers to shortages that has been tossed around a lot lately is "withholding." You know the stories—that manufacturers are holding back warehouses full of refrigerators, stoves and bicycles until the year end.

To the extent that these stories are true, and I must say that I do not believe they are true in any very great degree, you ought to be getting a lot of goods on your shelves and in your show rooms this month. Almost seven days have elapsed since the effective date of repeal of the excess profits tax. I am curious to know in what degree the speed-up of deliveries since Jan. 1 bears out these rumors of withholding until the year end.

I have no doubt that there has been some, but I would be very much surprised if any great quantities of consumers' durable goods showed up in this fashion. I understand that some manufacturers have been piling up products in their warehouses until they have enough samples for all their dealers to display and to start deliveries going on some workable basis. And, on the other hand, some manufacturers who have campaigned for the removal of price and material controls may have held up their finished goods in the hope of getting bigger profits.

I think the fact is that end-product inventories are quite low all through the distribution chain. Stoves and electric irons and bicycles are in most cases flowing immediately off the assembly lines into the distribution channels. As for raw materials and component parts, where we in CPA are concerned with spreading scarce supplies as thinly as possible, our compliance men who have been making spot checks in the field tell me they find very little evidence of large inventories. On the contrary, they find inventories as a rule are running smaller than what was considered normal before the war.

Blames Tax Factor for Shortages

Withholding because of taxes, in my opinion has not been a major factor in today's shortages. And the end of withholding, assuming the goods will be released starting now, is not the answer for the man who wonders when he can get delivery on 1946 models.

Our population is larger than ever—more people to supply. And their wants, multiplied because they had to defer buying during the war years, are much greater than ever before. To this must be added the need for almost everything by the returning serviceman or woman. And that is why we have very real and very severe shortages in so many lines of consumers' goods. The cure is in our hands to use if we make up our minds to use it—immediate full production and sustained production. As you know we have a war-expanded productive capacity and a vast new force of skilled labor that can give us the highest level of production in our history.

How are we doing? Let's take a look at the picture today.

It is not as bad as it sometimes seems. The statements of manufacturers in the important metal-working industries—the ones that had the most difficult reconversion problems—tally with the records of the Civilian Production Administration. They show that the transition from war to peace production has been rapid and actually is ahead of the schedule which industry advised the War Production Board that they had mapped out only a few short months ago.

Many difficult problems remain to be solved and of course one of the most important is the problem of industrial disputes. Assembly lines are not, in most cases, in volume production. In many cases because of lack of workers—not because of wage disputes. But the overall picture is one of progress. The physical reconversion of the war plants is largely completed. Employment has held up well—current unemployment is only a half of that of 1941, which was a booming prewar year.

Gains in Every Industry

Since October, gains have been registered in virtually every industry. A sharp rise in basic materials and services occurred in November, with steel at the 1941 rate and bituminous coal well above it. Car loadings are up to the 1941 rate and electric power for industry as a whole is above it. And bear in mind that I am using 1941 only as a measuring stick. I don't want to imply that the production of 1941 is in any way our goal today. We need more goods and services, far more, than we needed in any prewar year and we are not getting them fast enough.

National Income Down 15%

The national income has fallen by 10 to 15% from the level of last July but the monetary conditions for business expansion are of the best. The stock market reflected this condition; it reached a 15-year peak as 1945 came to a close. Bond offerings are absorbed by banks and institutions as fast as they are put out. Interest rates are at a record low. Businessmen have largely liquidated their debts and are well supplied with cash. Industrial activity is at a high level.

In the face of this, why can't you get consumer goods? Well, one reason is that much of today's industrial activity is in basic materials and in producers' durable goods, rather than consumers' goods. This activity is in the making of the machines and capital equipment that must be installed today to turn out goods tomorrow. Another reason is the tremendous buying wave that has swept the country. Instead of dropping sharply, as had been predicted in many quarters, consumer expenditures have risen since the war ended. We are suffering the growing pains of an expanding postwar industry. Demand for sheet steel, textiles and building materials, to name three, are far in excess of any normal supply.

So you have this tremendous demand for manufactured articles on the one hand and on the other shortages of materials, parts, manufacturing capacity and of labor—the latter either because the right type of skill isn't available where it is needed or isn't working where it is available.

We have a situation that is comparable in some ways to our first year of war in 1942—when we had to tighten our belts and go through a lot of readjustments in order to get the stuff rolling in volume later. While that condition lasts we have to put every effort into stepping up production. Until we get it high enough, we need at least a few government controls to spread the available supply of scarce things and to fight runaway inflation.

In several important fields there have been work stoppages, wage disputes, some uncertainties and a certain amount of fear. Fear of the unknown—fear of inflation, justified by the terrific pressure for goods.

Threat of Inflation

Let me say a few words about the prospects for inflation, which is one that concerns all of us in government and out of government very much today. If efforts being made today to throw off price controls should prove successful, the danger of sky rocketing inflation, followed by collapse will be very real. So far as we can make out from our people who have talked with you, your representatives almost without exception are in favor of keeping prices from sky-rocketing. The difference of opinion rests on the flexibility in the price control system and the amount of price increases necessary to bring out maximum production. In other words, as I understand it you are in favor of a more flexible and realistic pricing and cost absorption policy that would result in increased production but would not set-off an atomic chain explosion of inflation.

Until production can come in full tide, the economic situation will continue similar to that at the close of World War I. There are the same explosive factors pushing upward.

The volume of liquid assets in the hands of consumers and businessmen in 1920 was unprecedented. It is vastly larger today.

In 1920 there was an insatiable demand for consumer goods and services. Today there is even greater demand.

There was then a housing shortage. Today we have an even more critical shortage in dwellings.

The export demand for all types of products was very large in 1920. Today export demands exceed all records.

Federal deficits are incomparably larger than they were in 1920.

As soon as the war ended in 1918, all controls had been dropped. Public and export demands swept goods off the shelves and pushed prices ever higher. Hoarding and speculative buying were rampant. Until in 1920, inflation had raised price levels 100% above 1914. Business rightly feared a serious depression.

Then the bottom fell out of demand. There was a buyers' strike. There were bitter labor disputes. Prices went over the cliff as production declined. Unemployment rose rapidly. There were wholesale bankruptcies and untold, needless human suffering.

Prices 40% Above Pre-War

During the war so recently ended we had a stiff price rise, too. But prices have been held to within 40% of the prewar level. The fear of serious price depression with resulting inventory losses is therefore at a minimum so far. The low interest rates and the huge supply of investment capital available now form a second line of defense, supporting the current optimistic attitude. That optimistic attitude is being tempered more and more, however, by worry over what might happen over the near future. If all government controls were lifted today, the upsurge of prices would be far more powerful than occurred at the end of the last war. The downsurge a little later would be that much more disastrous.

The Civilian Production Administration retains all the powers of the War Production Board. But, following the policy set by WPB, it uses them sparingly. We are not going to hold onto a control a day longer than we have to, in order to assist industry through this critical period. Where our controls are needed, we are going to use them. We haven't been getting enough moderate cost houses. So we have gone into that field with priorities to see that houses are built in a price range which the returning soldier can afford.

But priorities don't make bricks. The answer we need here, as in so many other things, is more bricks coming off the production line. So the Civilian Production Administration's job on bricks is to help get production up. We have given assistance to brick yards, to lumber men for machinery and logging equipment and to foundries that make soil pipe and other castings.

In the textile field, the Civilian Production Administration and Office of Price Administration are continuing their efforts to secure volume production of low-priced garments. As you all know, under this program CPA authorizes the use of CC ratings for procurement of fabric by manufacturers who agree to make specified essential apparel items at or below the low cut-off prices provided in the order.

The cotton, wool and rayon mills are setting aside portions of their production to honor these ratings. In the case of wool fabrics, a concerted effort is being made to obtain the yardage needed to produce 3½ million low-priced men's and boys' suits in the next three months.

Apparel manufacturers will receive authorizations of cotton fabrics under this program in the first quarter 1946 amounting to

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January 4, 1946

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January 10, 1946

170 million yards, including nearly 50 million yards for men's shirts, or about 1,700,000 dozen; 20 million yards for men's undershorts (about 1,600,000 dozen) and about 8 million yards for children's overalls and coveralls.

The rayon authorizations will amount to about 120 million yards, with the largest item representing nearly 70 million yards for women's and misses' dresses. With about 25 million yards of wool fabrics earmarked for men's and boys' low and medium-priced garments in this quarter, the program contemplates the production of 7 million pairs of men's and boys' trousers and one and a half million overcoats and topcoats, in addition to more than three and a half million suits. The suits will retail at about $33. In addition, 60 million yards of cotton fabrics and 24 million yards of rayon fabrics are set aside for sale as over-the-counter piece goods. You, gentlemen, will be getting the real benefits of the fourth quarter program during the present first quarter of 1946.

Most Serious Problem

The most serious immediate clothing shortage, as you are aware, is in men's suits. It is the toughest supply problem we have and is tremendously vital in the re-establishment of the veteran back into civilian life. The real reason for the serious shortage of men's suits, regardless of anything you have heard to the contrary, was the heavy demand by the armed services which necessitated the invocation of M-73. By this order, from December 1944 to August 1945, a period of nearly eight months, the very period during which cloth is normally produced for men's winter suits—the Army was getting virtually all of the worsted material that would have gone into men's suits. This, we all know, was necessary to clothe our troops in Europe and the Far East.

So regardless of what CPA or OPA can do now, there is just no quick way of making up an eight months' production of men's worsted fabrics. There may be and there are other reasons, with reference to prices, wages and the shift from men's wear to women's wear fabrics, but we shouldn't lose sight of the overall perspective in which the present shortage appears; namely the loss of that eight months' production. And remember that this clothing shortage is temporary only.

I understand that some members of this group are pessimistic about the future supply of men's suits but I am convinced that the reappearance will begin soon, starting even before this present month comes to a close. But obviously we will be a long way from meeting, for some time, the pent-up demand for some 40,000,000 suitings.

Situation in Men's Clothing

To give you some idea of the picture in men's suits: in 1939, more than 16.5 million suits were made, in 1941 about 20 million, and in 1944, about 14.3 million. We estimate the total for 1945 was somewhat less than 10 million men's suits. The rate from September to December was probably not more than 750,000 suits a month, as compared with the monthly average of 1,376,000 suits produced in 1939. But there have been increasing yardages of woolens and worsted flowing from the mills into the hands of the men's garment makers since V-J Day, and we expect this output to reach even greater levels. However, the men's suit shortages will be present for a long time to come. It simply is impossible to make up the scarcities born of a five-year global war in a few short months.

Until supplies are more abundant, a large share of the suits and shirts and shorts produced must go to those who need them most. The retailers of the nation have been extremely cooperative in following our recent Declaration of Policy which asked them to give returning veterans preference in the purchase of these low-priced siuts and shirts and shorts. I am glad to see this patriotic spirit. This is a time to reduce government controls wherever possible, not to increase them. The retailer can and is playing a big role in doing voluntarily what the Government might otherwise have to do to take care of servicemen. I urge that you continue and strengthen your voluntary preferential treatment of service men and women.

I have talked quite a bit about clothing because it is a subject that is very close to all of us and it is one of the most important current problems in the Administration's stabilization program. We are not satisfied with the output of textiles thus far and we won't be satisfied until you retailers are able to get a lot more goods into your stores. We are not standing still: the job now is to keep accelerating output. The Civilian Production Administration is expediting production wherever possible, by the use of preference ratings, by breaking bottlenecks where lack of production of one item holds up others, and by special assistance in individual cases.

Other Production Totals

I am sure that you will be interested in some figures on the production of other consumer goods, showing the volume that is coming from the factories right now.

Take refrigreators: manufacturers are shipping today about half of their prewar volume of domestic mechanical refrigerators. About 150,000 were shipped in December by the industry. That gives you a good idea of what is being done today when you remember that the average prewar rate was 300,000 a month. It is not an exact figure because there there has been a good deal of shifting in industry and we are not sure that the firms which made up the survey would represent the entire postwar industry. But it's pretty close. Up to Jan. 1, the industry made a total of about 340,000, which is only a little more than a month's prewar output. But the rate has climbed steadily. In October 84,000 were shipped. In November, 115,000 and in December 150,000. And that's the important thing. Production is moving upward month after month.

On washing machines, the shipment rate in December was about 80,000 a month. That about doubles the October rate and compares with a peacetime base-period rate of about 160,000.

Before the war we used to turn out more than a million radios a month. Incomplete reports from the industry indicate that shipments during December were less than 100,000 sets, with little or none shipped in October or November for civilians. Probably the actual output was considerably higher because radio is one of the fields where a lot of new people have gone into production during the war. The radio manufacturers are having trouble getting cabinets because they have to compete with the furniture makers.

The automobile production lines have been slowed up, as you know, by wage differences which have affected assembly plants and suppliers. By the end of the year we had produced about 75,000 passenger cars, 315,000 trucks and 16,500 busses.

On alarm clocks we're doing pretty well. Incomplete reports from the industry covering both spring-wound and electric clocks, show a sharp increase in output since October. Estimated October shipments for the entire industry were 600,000 units. By December that had gone up to 900,000 which represents about 75% of peacetime shipments.

The latest reports we have on domestic electric irons are for October and they show 210,000 shipped in that month, or about 57% of the 1941 prewar production rate. The same month for vacuum cleaners showed about 26,000, about 17% of the prewar rate between June 1940 and June 1941.

Explain Consumer Shortages

These figures show why you don't have a lot of radios and furniture and other consumer goods to offer your customers. You have a problem, as you know, of filling up the distribution pipelines before you can ring up many sales on the cash register. But the figures also show that we are making considerable progress. Industrial production as a whole turned upward in November for the first time since V-E Day last May 8. And the latest reports show that reconversion and production are on the over-all, just about on schedule, with capital goods well ahead of schedule. In the next few months that activity will be translated into more goods for you to sell.

True, production of consumer goods, so eagerly awaited by the public, may be below what had been expected, and below the production goals which industry is currently capable of reaching—due to shortages of component parts; work stoppages: uncertainties as to wage-cost factors; and reluctance to make long-term commitments caused by fear of inflation. Yet, these obstacles to "all-out" production must be, and can be, overcome. Most of them are mental obstacles we ourselves have created. If all of us will but use our heads instead of our emotions, and make an effort to be reasonable, tolerant, and good-natured, most of our problems could be quickly solved.

Let me say, that the next six months are critical to the industrial future of our country. If we can speed up production at once and pour on the dealers' shelves a flood of goods, we can thereby make sure that the crisis that occurred after World War I, with its sky-rocketing prices followed quickly by panic and depression. will not be repeated on a yet more disastrous scale.

We have the plant, the management, the know-how, and the skilled labor force. In the difficult months still ahead of us, there is one sure cure for the dangers of inflation and unemployment. That is sustained, all-out production of goods.

Given a good measure of industrial peace, and assurance that we will not have run-away inflation. we can look forward to years of the highest prosperity this country has ever experienced. When a problem is known it can be solved. I am confident that this one can and will be solved and solved quickly.

The Stock Market In 1937 and Today

(Continued from page 125)

most cases its productivity has not increased.

3. Many corporations could not watch their costs carefully during the war. It may take some time for them to regain the productive efficiency they had in 1937.

4. People have been less discriminating in this bull market as to securities bought than they were in 1932-1937. More inexperienced people have been buying stocks and many have bought shares of companies that benefited during the war but that will have difficulty showing satisfactory results in the more competitive times ahead. As a result, the lower priced shares have been bid up more sharply than the higher grade issues. Barron's Low Priced Index is 79% higher than in March of 1937, while the Dow-Jones Industrial Average is selling around its highs of that year.

5. People can buy fewer stocks per dollar than in 1937. At present, margin requirements make it necessary to put up $750 cash for every $1,000 purchase. In 1937, it required only $550 to buy $1,000 worth of stock in a margin account.

6. It has now been over two years since we have had a correction of 10% or more. At the 1937 top, the industrial average had advanced only 11 months after its correction of 11% in April of 1936. Such corrections tend to weed out the weak holders and improve the internal strength of the market.

7. The market is much thinner today both on the upside and the downside. For that reason, any unexpected unfavorable developments could result in a sharp decline. Offsetting this to some extent, is the fact that more accounts are on a cash basis today than in 1937 so any liquidation should be more deliberate and less forced than in 1937.

Because of the many favorable factors today as compared with 1937, it seems likely that the market will sell higher in the next few years. But, regardless of a favorable longer term outlook, it should be recognized that there is a great deal of chaff mixed with the wheat in today's market because there has been so much inexperienced buying. As prices advance, basic facts regarding corporations should be more thoroughly analyzed before making purchases or sales. Commitments made on impulse or on unconfirmed rumors are seldom profitable in the long run.

Frank McDermott With O'Connell & Janareli

Frank McDermott has joined the Trading Department of O'Connell & Janareli, 120 Broadway, New York City.

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

During 1945, New York City bank stocks, in general, fluctuated within a relatively narrow range, and ended the year only moderately above their 1944 year-end prices. As measured by the American Banker Index they moved from 45.8 as of Dec. 30, 1944 to 50.7 on Dec. 31, 1945, an appreciation of 10.7%. This compares with 26.6% for the Dow-Jones Industrials and 27.5% for the Dow-Jones Composite.

The range for the year was between a low of 43.3 on Mar. 26 and a high of 51.8 on Oct. 17, equivalent to 8.5 points or 19.6% on the low. In the case of the Dow-Jones Industrials, the range was between the low of 151.35 on Jan. 23 and the high of 195.82 on Dec. 11, equivalent to 44.47 points, or 29.4% on the low.

The following table shows the range during the year of the bid prices of the stocks of 20 prominent New York City commercial banks; also the change in the bid price of each from 12/30/44 to 12/31/45.

TWENTY BANKS—RECORD OF BID PRICES

	1945 Range		1945 Change		Appreciation
	High	Low	12-30-44	12-31-45	
Bank of Manhattan	35¼	25¼	26⅞	33⅛	23.3%
Bank of New York	483	426	448	466	4.0
Bankers Trust	53½	45	51½	50¼	— 2.4
Brooklyn Trust	139	113	113½	130	14.5
Central Hanover	129½	104¾	109¼	124	13.5
Chase National	47½	39	45	47⅛	4.7
Chemical	67	49½	*41⅝	52½	26.2
Commercial	53¼	47	49¾	49¾	0
Continental	27	19¾	*19⅞	20⅝	3.8
Corn Exchange	63¾	52⅛	55⅛	62¼	12.9
Empire Trust	112	83	83	110	32.5
First National	2,240	1,725	1,805	2,035	12.7
Guaranty	397	330	351	367	4.6
Irving	21¾	15⅞	16¼	20⅛	23.8
Manufacturers	66⅝	54¼	54¾	62¾	14.6
Morgan, J. P.	320	274	279	312	11.8
National City	50¼	38½	44	49⅝	12.8
New York Trust	114¼	99¼	103¼	112¼	8.7
Public	54¾	40¾	*44¾	46¾	4.5
U. S. Trust	840	800	*708	810	14.4
				Average	+12.5%

*Adjusted for stock dividends.

The average appreciation of the 20 stocks was 12.5%. Maximum appreciation was achieved by Empire Trust with 32.5%; minimum appreciation was 3.8% by Continental, while Commercial National registered no change and Bankers Trust shows a decline of 2.4%. Bankers Trust, however, has moved up sharply since the first of this year, following the announcement of a dividend increase.

The relative lack of interest in bank stocks is rather difficult to explain, in view of the continued strong upward trend in earning assets, book values and operating profits, and of the favorable dividend action that a number of banks have taken. It may be of interest to review some of these actions, considering the banks in alphabetical order.

Bank of Manhattan announced at its annual meeting in December, 1945, a probable dividend increase. On Dec. 13th its directors declared a quarterly dividend rate of $0.30 per share, payable Jan. 2, 1946; the previous payment was $0.25 Oct. 1, 1945. The new annual rate of $1.20 yields approximately 3.5% on current market.

Brooklyn Trust declared an extra of $1.00 on Dec. 20, 1945, payable Jan. 2, 1946; including the regular semi-annual of $2.00, total annual dividends for 1945 amount to $5.00 per share compared with $4.00 in 1944, and yield approximately 3.7% on the current asked price.

Chase National Bank, on Dec. 26, 1945, declared two quarterly dividends of $0.40 each, one payable Feb. 1, 1946, and the second payable May 1, 1946. The previous payment was a semi-annual dividend of $0.70 per share paid Aug. 1, 1945. Thus Chase changes from a semi-annual to a quarterly basis, and increases the annual rate from $1.40 to $1.60, which yields approximately 3.3% at the current market.

Chemical Bank & Trust Co.'s stockholders approved a 25% stock dividend on Oct. 31, 1945, thus increasing capitalization from $20,000,000 to $25,000,000. The annual dividend rate of $1.80 was maintained; present stockholders, therefore, are receiving the equivalent of $2.25 per share on original holdings. The annual rate of $1.80 yields approximately 3.3% on the current asked price.

Continental Bank & Trust Co.'s stockholders approved a 25% stock dividend on Oct. 31, 1945, increasing the bank's capital from $4,000,000 to $5,000,000. The dividend rate of $0.80 remains unchanged, and becomes the equivalent of $1.00 per share on original holdings. The dividend rate of $0.80 yields approximately 3.5% on the current asked price.

Irving Trust declared a year-end extra of $0.20 per share, compared with $0.10 in 1944. Total dividends for 1945 amount to $0.80 per share, yielding approximately 3.9% on current market.

Manufacturer's Trust's stockholders approved, on July 2, 1945, the issuance of 412,500 new shares, mainly for the purpose of redeeming, on Aug. 1, 1945, 385,485 convertible preferred. On completion of this financing, capital funds aggregated $110,431,598, compared with $95,812,972 on June 30, 1945. On Sept. 4, 1945, a quarterly dividend of $0.60 per share was declared on the increased capitalization, compared with $0.50 previously. The new annual rate of $2.40 yields approximately 3.7% on the present asked price.

National City bank declared a semi-annual dividend of $0.80 per share, on Dec. 26, 1945, payable Feb. 1, 1946. This compares with the previous payment of $0.65 on Aug. 1, 1945. The new annual rate of $1.60 matches that of Chase, and yields approximately 3.1% at current market.

New York Trust increased its quarterly rate from $0.875 to $1.00 on June 5, 1945. The new annual rate of $4.00 yields approximately 3.5% at current market.

Public National Bank declared a stock dividend of 10% on Jan. 9, 1945, increasing capital shares from 400,000 to 440,000. On Dec. 10, 1945, the stockholders approved the issuance of 110,000 additional shares, bringing the total number of shares to 550,000. The annual dividend rate is to be increased from $1.50 to $1.65 upon completion of this financing. This rate yields approximately 3.4% at current market.

United States Trust, on Nov. 23, 1945, declared a 100% stock dividend, increasing capitalization from $2,000,000 to $4,000,000, and shares from 20,000 to 40,000. President Pell states that it is the intention to establish a regular annual dividend rate of $35.00 per share on the 40,000 shares. One peculiar result of this change from regular quarterly payments of $15.00 plus an extra $10.00, to a regular rate, will be that a stockholder will be paid in 1946 (only), $76.00 instead of $70.00 per share of old stock. Otherwise, the only effect of this stock dividend is to cut the market price of the stock in half and perhaps, thus, to increase its market attractiveness. The dividend rate of $35.00 yields approximately 4.3% at current market.

Thus ends the record for the year, so far as the above twenty banks are concerned. The stockholders have not been entirely forgotten.

Byrnes Explains Moscow Accord

(Continued from page 129)

form than the substance. What is preserved is that the proposals of the larger powers are subjected to the judgment and public criticism of all the nations which took an active part in the war. The procedure contemplates and requires that these nations formally and publicly make their recommendations. The larger powers are not bound by these recommendations, but they must agree in order to draw up the final treaties. Certainly the United States would not agree to a final treaty which arbitrarily rejected such recommendations. Certainly the great powers which drew up the draft charter for the United Nations at Dumbarton Oaks did not ignore the changes suggested by the smaller powers at San Francisco.

The test of a successful peace is not in the form of its making, but whether it both commends itself to the nations concerned by its justice and wisdom and also commands the support of those nations whose unity is essential to preserve the peace. The method agreed upon at Moscow gives ample scope for the achievement of these essential results.

Recognition of Axis Satellites

The question of the recognition of the ex-satellite States was discussed. Since the London conference, we have found it possible to recognize Austria and Hungary, where free elections have occurred. There is still a wide divergence in our viewpoints on the governments of Rumania and Bulgaria. That divergence is accentuated by the fact that in those countries democratic institutions have not functioned in accordance with traditions familiar to us.

The Soviet Union contends that the governments of those countries are satisfactory and conditions do not warrant concerted action under the Yalta agreement, and action is possible only by common agreement.

Our objections to the Rumanian and Bulgarian Governments have been not only to the exclusion of important democratic groups from those governments but to the oppressive way in which those governments exercise their powers. Until now our objections have been little heeded by those governments or by the Soviet Government.

It must be recognized that the Soviet Government has a very real interest in the character of the governments of these States. These countries are neighbors of the Soviet Union and were involved in the war against the Soviet Union. It is therefore to be expected that the withdrawal of Soviet troops from these countries may depend upon the Soviet Government's confidence in the peaceful character of these governments.

I urged upon Generalissimo Stalin and Foreign Minister Molotov that it was in their interest as well as ours that the peoples of these countries, as well as their governments, should be peacefully disposed toward the Soviet Union. I stressed the fact that it was our desire to work with the Soviet Government and not against it in making these governments more representative. And for the first time since Yalta the Soviet Government has agreed to cooperate with us to this end.

A triparite commission is to proceed immediately to Rumania to advise the King, who has sought the advice of the three Allied governments, on broadening representation in the Rumanian Government. At London we asked this but were unable to secure agreement.

The British and American Governments have agreed that they will recognize the Rumanian Government as soon as they are satisfied that the government has been broadened to include two truly representative members of two important political parties not now represented in the government and assurances have been given regarding free elections, freedom of speech, press, religion and association. These are the terms under which we will recog-

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nize this government. It is for us to say whether the terms have been complied with.

The situation in Bulgaria is complicated by the fact that an election has already occurred there which the Soviet Government regards as a free election and we do not. Nevertheless, the Soviet Government has undertaken to advise the new Bulgarian Government to include in the government two members truly representative of important political parties not now included. The British Government and the American Government have stated that as soon as they are satisfied that this has been done they will recognize the new Bulgarian Government.

The agreements regarding Rumania and Bulgaria do not go as far as I should have liked, but I am hopeful that they will result in a substantial improvement in the democratic character of these governments.

The Far East

In the Far East it has been our policy to work for the creation of conditions that make for lasting peace. Cooperation with our Allies is an essential part of that policy.

While the United States sustained the major burden in crushing the military power of Japan, we have always considered the war against Japan a part of the war against the Axis. From the outset we have planned to make the control of Japan an Allied responsibility.

As early as Aug. 20 we invited the Soviet Union, Great Britain and China to join with us in carrying out the objectives of the Potsdam Declaration and the terms of surrender for Japan. The Far Eastern Advisory Commission was established in October, but Great Britain had reservations regarding its advisory character and the Soviet Union requested a decision regarding control machinery in Tokyo before joining the work of the commission.

Far Eastern Commission

At Moscow the three governments, with the concurrence of China, agreed on a Far Eastern Commission. It will consist of representatives of the Soviet Union, Great Britain, China, the United States, France, Netherlands, Australia, New Zealand, Canada, India and the Philippines.

This Far Eastern Commission will have the authority to formulate principles to govern the control of Japan. It will act by a majority vote, which, however, must include the concurring votes of Great Britain, the Soviet Union, China and the United States. The decisions of the commission will be incorporated into directives to the supreme commander by the United States Government.

Under the agreement establishing the commission no basic Allied policy for Japan may be adopted without our concurrence.

U. S. Free to Give Interim Directives

Pending agreement in the Far Eastern Commission, in case of need we are free to give interim directives on all urgent matters. Only three questions are excepted from our authority to give interim directives. The questions reserved for action by the commission—which action requires our concurrence—are questions dealing with changes in the control of Japan as set forth in the surrender terms or with fundamental changes in the Japanese constitutional structure or with changes in the Japanese Government as a whole.

These are questions which by their nature require agreement among the principal Allies if there is to be a common Allied policy. To reserve them for decision by the commission does not affect the administration of Allied control by the supreme commander.

It has not been our policy to dictate changes in the Japanese Government as a whole, and in so far as it is necessary to make individual changes in the Cabinet or to fill vacancies created by the resignation of individual members the authority of the supreme commander to act remains unimpaired.

The Allied Council for Japan

The three governments also agreed, with the concurrence of China, on the establishment of an Allied Council for Japan to be composed of representatives of the Soviet Union, the British Commonwealth, China and the United States under the chairmanship of General MacArthur as the supreme Allied commander. The Council is to advise and consult with the supreme commander in carrying out the terms of surrender. His decision will be controlling on all but the three reserved questions I have just mentioned.

If any disagreement arises in the Council regarding the implementation of a policy decision of the Far Eastern Commission upon any of these three points the supreme commander will withhold action pending a clarification of its decision by the Far Eastern Commission. But when necessary, as I have already explained, the supreme commander, after appropriate consultation with the Council, may change individual ministers or fill vacancies.

It assures that the authority of General MacArthur will not be obstructed by the inability of the Far Eastern Commission to agree on policies or by the inability of the Allied Council to agree upon the methods of carrying them out.

We were determined to assure that the outstanding and efficient administration set up and executed by General MacArthur should not be obstructed.

Korea

The administration of Korea has been a trying problem since the surrender of Japan. For purposes of military operation the occupation of Korea was divided north and south of Latitude 38 into Soviet and American areas. The continuation of this division after surrender has been unsatisfactory. The movement of persons and goods and the functioning of public services on a nation-wide scale has been hampered.

Under our agreement at Moscow, the two military commands are to form a joint Soviet-American commission to solve immediate economic and administrative problems. They will make recommendations to the governments of the United States, the Soviet Union, Great Britain and China for the formation of a Korean provisional democratic government. They will also make proposals to these governments regarding a four-power trusteeship to prepare Korea for its independence within five years.

The joint Soviet-American commission, working with the Korean provisional democratic government, may find it possible to dispense with a trusteeship. It is our goal to hasten the day when Korea will become an independent member of the Society of Nations.

In the various agreements and understandings reached in Moscow the interests of China were taken into full account. China is to participate in the Council of Foreign Ministers, the Far Eastern Commission, in the Four-Power Allied Council in Tokyo, in the formation of a Korean provisional national government and in any trusteeship for Korea.

The Unification of China

But China divided by civil strife will not be able to take its rightful place among its Allies and discharge properly its international responsibilities.

Our policy toward China as recently announced by President Truman was discussed at Moscow. We find our Allies in substantial

(Continued on page 144)

MacArthur Opposed Program

It is reported from Tokyo that General Douglas MacArthur, Supreme Allied Commander in the Pacific, has issued a statement in which he denies that he has approved the plan for an international Far Eastern Council to formulate policies for Japan, but, on the contrary, had informed Secretary Byrnes six weeks before the Moscow meeting, that in his opinion the plan was not acceptable.

"The statement attributed to the Far Eastern Commission officer," Gen. MacArthur stated, "that I 'did not object to the new Japan control plan before it was approved at Moscow' is incorrect. On Oct. 31 my final disagreement was contained in my radio to the Chief of Staff for the Secretary of State advising that the terms 'in my opinion are not acceptable.' Since that time my views have not been sought. Any impression which the statement might imply that I was consulted during the Moscow conference is also incorrect. I have no iota of responsibility for the decisions which were made there."

General MacArthur, however, added that, despite his opposition, he would remain as Supreme Allied Commander and would try to make the plan work. "As I said before, it is 'my full purpose to see it through.'" The assertion to which General MacArthur referred was made as a result of a radio broadcast from Tokyo and the American Broadcasting Company regarding the commander's supposed intentions regarding the Russians, and it said in part:

"I am here to serve and not to hinder or obstruct the American Government."

On Dec. 31, following the above statement by General MacArthur, Secretary Byrnes held a press conference in which he is reported to have said that he had understood that MacArthur considered the plan for Allied control of Japan to be acceptable before it was submitted to the Big Three at the Moscow Conference. Secretary Byrnes also pointed out by way of acknowledgement, that the Moscow negotiations resulted in the clause which gives Russia, Britain and China as well as the United States a veto power over any directive dealing with fundamental changes in Japanese constitutional structure or matters relating to Allied control, but he maintained that this still gives the United States a veto on any changes that may be proposed in the existing authority of General MacArthur.

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CONDENSED STATEMENT OF CONDITION DECEMBER 31, 1945

ASSETS

Cash and Due from Banks	$239,235,257.45
United States Government Obligations	455,939,526.25
Other Bonds and Securities	18,562,797.49
Loans and Discounts	233,991,370.51
Real Estate Bonds and Mortgages	795,967.37
Equities in Real Estate	16,782.29
Customers' Liability for Acceptances	730,550.40
Interest Receivable and Other Assets	2,173,672.82
	$951,445,924.58

LIABILITIES

Capital	$15,000,000.00	
Surplus	35,000,000.00	
Undivided Profits	9,895,342.61	$59,895,342.61
General Reserve		3,000,000.00
Dividend Payable January 2, 1946		600,000.00
Acceptances		966,436.38
Reserve for Taxes and Other Liabilities		5,720,680.27
Deposits		881,263,465.32
		$951,445,924.58

United States Government obligations carried at $186,281,147.64 in the above statement are pledged to secure United States Government deposits of $177,193,533.87 and other public and trust deposits and for other purposes required by law.

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Byrnes Explains Moscow Accord

(Continued from page 143)

accord with that policy. The three governments agreed that the cessation of civil strife and broad participation throughout the national government of democratic elements are necessary to assure a unified, peaceful and democratic China under the national government. The three governments reaffirmed adherence to the policy of non-interference in the internal affairs of China.

Mr. Molotov and I discussed the problem of Soviet and American armed forces in China. The Soviet Union, pursuant to their agreement with the national government of China, plans to remove its forces from Manchuria by Feb. 1. We will move our Marines from North China when Japanese troops are disarmed and deported from China or when China is able to complete the task unassisted by us.

The understanding of the three powers as to policy toward China should assist General Marshall in the mission he has undertaken.

Control of Atomic Bomb

The British and ourselves came to Moscow with a very definite proposal for the establishment by the United Nations of a commission on atomic energy and related matters based on the Washington declaration of the President of the United States and the Prime Ministers of Great Britain and Canada on that subject. At the request of the Soviet Government the discussion of our proposal was placed at the end of our agenda. Our discussions were limited to this proposal. At no time did we discuss any technical or scientific matters, nor were we asked by the Soviet Government about the new weapon. I was happy to find that the Soviet Government feels as we do that this particular weapon is of such a revolutionary nature that we should explore through a United Nations commission methods of international control.

It should be understood that the task of the commission is to inquire into the problems raised by the discovery of atomic energy and related matters and to make recommendations. Neither the Security Council nor the commission has authority to bind any government to act on its recommendations.

The four objectives set forth in the proposed resolution establishing the commission are not intended to indicate the order in which they are to be considered. In particular, it was intended and is understood that the matter of safeguards will apply to the recommendations of the commission in relation to every phase of the subject and at every stage. Indeed, at the root of the whole matter lies the problem of providing the necessary safeguards.

Won't Share Secrets Now

Neither we nor any other nation would be expected to share our armament secrets until it was certain that effective safeguards had been developed to insure our mutual protection.

The Soviet Government offered only a few amendments to the proposal submitted by us. These amendments were designed to clarify the relations of the commission to the Security Council. With some revisions we accepted them.

Carefully examined, these amendments will be found to go no farther than appropriate to enable the Security Council to exercise its primary responsibility for the maintenance of peace and security.

The Security Council can give directions to the commission, and restrain publication of reports detrimental to peace and security, but such action can be taken only with the concurrence of all its permanent members. Failure of the Security Council to act cannot block the work of the commission.

The three governments have invited France, China and Canada to join with us in submitting the proposed resolution to the Assembly of the United Nations.

Failure to Agree On Iran

The Foreign Ministers reached understanding on all important items on our agenda, with the exception of Iran. At one time it looked as if we might agree on a triparite commission to consider Iranian problems which have been accentuated by the presence of Allied troops in Iran. Unfortunately, we could not agree. I do not wish to minimize the seriousness of the problem. But I am not discouraged. I hope that the exchange of views may lead to further consideration of the grave issues involved and out of such consideration a solution may be found.

There was no subject as to which an agreement was reached that was not covered in the communique published Friday, apart from instructions to the representatives of the three governments to facilitate agreements in the field.

The agreements reached should bring hope to the war-weary people of many lands. They will facilitate the signing of peace treaties, which is necessary to permit the withdrawal of troops from occupied territories. Only by the withdrawal of armies of occupation can the people have an opportunity to start on the long road to economic recovery. Only by economic recovery of other countries can we in America hope for the full employment of our labor and our capital in this interdependent world.

Limits of Conferences

We must realize that international conferences are not intended to give individual statesmen the opportunity to achieve diplomatic successes. They are intended to be useful in the adjustment of delicate social and human relations between States with many common interests and many divergent interests.

In international affairs, as in national affairs, conflicting interests can be reconciled only by frank discussion and better understanding. The meeting in Moscow did serve to bring about better understanding. We must not slacken in our efforts. With patience, goodwill, and tolerance we must strive to build and maintain a just and enduring peace.

Fahnestock Co. Opens Branch in Meriden

MERIDEN, CONN.—Fahnestock & Co., members of the New York Stock Exchange, announce the opening of an office at 45 Colony Street, Under the management of Harold P. Thomas. Other Connecticut offices of the firm are in New Haven, Torrington, Waterbury, Hartford and Danbury.

Britain to Reduce Exchange Controls

(Continued from first page)

during the war, thanks to the existence of censorship that had enabled the authorities to obtain information about evasion, and also thanks to the fact that it was applied indiscriminately to both capital transfers and current trade transactions. Now that censorship has been abolished it will be much more difficult to keep a watchful eye on evaders, but it is hoped that under the Bretton Woods system the member Governments will collaborate in preventing unauthorized export and accumulation of capital.

Problem of Restrictions on Capital Transfers

The problem which the Treasury will have to tackle before sterling is made convertible for the purposes of current trade requirements is to make the restrictions on capital transfers reasonably watertight in spite of the removal of restrictions on current trade transactions. This task is by no means easy, and expert opinion is sharply divided on whether it is possible at all. The view is held in many quarters that, once dealing in exchanges is free for current trade requirements, restrictions on capital transfers will inevitably leak like a sieve. Experience only will show whether this view is justified. Meanwhile the Treasury and Bank of England experts are doing their best to stop the expected loopholes.

To that end a Bill is now under preparation, and is expected to be introduced sometime in February or March. Under it some form of check will be kept on current trade transactions, in order to prevent their abuse for capital transfers. How this check will be effected without interfering with the freedom of dealing remains to be seen. Another object of the new measure is to reinforce the penalties against evaders of exchange restrictions. This is considered necessary partly because under the new system it will be easier to evade the control, and partly because in any case the same patriotic reasons which prevented many people from breaking the law no longer operate to anything like the same extent.

For this reason, and also because Law Courts are inclined to inflict the minimum penalties on offenders, the Government is likely to increase materially the severity of penalties.

The title of the new Bill will be, according to present advices, the Exchange Control and Guarantee Bill. As the word "Guarantee" indicates, the measure will not be confined to the adaption of exchange control to the changed requirements. Under the Bretton Woods system it will be necessary for the Government to intervene in order to provide forward exchange facilities in accordance with the provisions of the Agreement on the International Monetary Fund, according to which forward exchange rates must be kept within limits to be determined by the Fund. Now it is possible, and even probable, that on various occasions the forward exchange rates will tend to go beyond the official limits. Should the Government confine itself simply to prohibiting dealings beyond the limits the result would be that merchants would be deprived of the means of covering the exchange risk with the aid of futures exchange operations. This would be detrimental to trade. Hence the necessity of providing official forward exchange facilities when private initiative is prevented from covering legitimate requirements. The projected law will authorize the Government to guarantee exchange rates to importers and exporters for such purposes.

Guarantee of Forward Exchange

There is another reason why the Washington Financial Agreement has made it necessary for the Government to assume this new function. Under that Agreement Britain is to remove restrictions on current transactions within 12 months. Other countries will be entitled, however, under the Bretton Woods plan, to defer for five years the removal of their exchange restrictions. As is well-known, it is very difficult if not impossible to secure private futures exchange facilities in currencies which are under strict exchange control. While exchange control remains in operation in Britain, the Bank of England bought and sold forward exchanges at fixed premiums or discounts. Once control is removed as far as commercial transactions are concerned, these facilities will cease. And since private interests may not be able to buy and sell for future delivery any currencies which remain under control, it will be necessary for the authorities to supplement this deficiency.

Details of the proposed facilities have not yet been worked out. Such information as is available about the Treasury's intention is welcomed, however, in the City. For it is admitted that the guaranteeing of exchange risks is one of the spheres in which Government intervention to supplement private initiative is justified. Even before the war, the forward exchange facilities provided by private initiative were far from adequate. It was practically impossible to secure cover against exchange risk beyond six months. Contractors who had to undertake public works spreading over years had to run grave risks, and in many known instances they suffered severe losses. But even for short periods the facilities to cover exchange risks were at times most unsatisfactory. Whenever a currency is expected to be devalued, the discount on the forward exchange rose to a prohibitive level. Exporters who had to sell against future payment in such a currency had either to sacrifice most of their profit by covering themselves against exchange risk at an exorbitant cost, or they had to run a grave risk, or they simply had to abstain from doing business. It is hoped in business circles that under the new Bill the Government will guarantee merchants against exchange risks for any reasonable period and at a reasonable cost.

M. Courts and J. Glenn Return to Courts & Co.

ATLANTA, GA. — Malon C. Courts, Lieutenant Commander, U.S.N.R., and Jack F. Glenn, Lieutenant, U. S. N. R., have been released from active duty and have resumed their duties as general partners in Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange

Mr. Courts served as Flag Lieutenant to Vice-Admiral Louis E. Denfeld who was in command of Battleship Division No. 9 operating in the Pacific. This division included the U. S. S. Wisconsin and the U. S. S. Missouri. Subsequently, Mr. Courts was aide to Admiral Denfeld when the latter was Chief of Bureau of Naval Personnel.

Mr. Glenn served as Assistant Navigator on the U. S. S. Washington operating in the Pacific.

MELLON NATIONAL BANK

PITTSBURGH

STATEMENT OF CONDITION AT THE CLOSE OF BUSINESS
DECEMBER 31, NINETEEN HUNDRED FORTY-FIVE

RESOURCES		LIABILITIES	
CASH AND DUE FROM BANKS	$ 137.215.914.15	CAPITAL	$ 7.500.000.00
U.S. GOVERNMENT SECURITIES	426.697.456.41	SURPLUS	37.500.000.00
OTHER BONDS AND INVESTMENTS	12.530.939.19	UNDIVIDED PROFITS	4.071.470.60
LOANS AND DISCOUNTS	34.494.606.31	RESERVES	11.628.789.23
BANKING PREMISES	2.466.703.70	DEPOSITS	552.705.359.93
	$613.405.619.76		$613.405.619.76

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MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

A Democratic Party Family Fight

(Continued from page 122)

turn. But he has chosen to follow the CIO-PAC course on every economic measure except the last fact-finding labor proposal. He has chosen the course of unlimited public spending and increased power to Federal bureaucracies. Half the Democrats and most of the Republicans in Congress disagree with that course.

What are the measures affected by this conflict? First, the President wants to Federalize unemployment compensation. As a step in that direction, he tried under CIO pressure to get Congress to enact a bill increasing all unemployment compensation to $25 a week for 26 weeks. He vetoed the act to reduce Federal expenses by returning the employment offices to the States. Every one admits that these offices and the Unemployment Compensation Bureaus should be run by the same agency. The President is trying to Federalize the whole outfit, and in effect give left wing labor control of employment. Congress insists on State control. Events also have certainly proved that Congress was right in not further increasing these rates in October.

Full Employment Bill Communistic

Second, the President recommended a so-called "Full Employment" Bill. The President can do everything without this bill which he could do with it, but he tried to put Congress on record in favor of the Henry Wallace compensatory spending theory, requiring the President to submit vast programs for the expenditure of Federal money whenever some crackpot economists thought there might be unemployment. The proposal came directly from the Soviet Constitution, the Communist Platform, and from the CIO. Congress disagreed.

Congress Favors Lifting Wartime Controls

Third, the President favors the continued control of prices and rent ::for many months to come," and objects to the fact that we only continued the second War Powers Act until July 1, 1946. Congress disagrees. It believes in eliminating Federal control over prices and priorities at the earliest possible moment as a necessary step to reconversion and prosperity. It may be necessary to continue controls over a limited number of scarce articles beyond July 1, but this power should be strictly limited.

President Promoting Inflation

While the President denounces inflation, he is promoting the greatest peacetime inflation this country has ever seen, first by lavish spending of Government money, and second by promoting a general increase in wages and salaries. All the price control in the world can't hold prices against those policies. The President has adopted the ridiculous CIO theory that you can have a general increase in wages, a general increase in Government pay including a 100% increase for Congressmen, an 88% increase in the minimum wage scale, and still hold prices. The necessary effect is first to stifle reconversion, then boost prices far above even the present level. Congress disagrees.

Health Program Is Socialized Medicine

Fourth, the President recommends Federal health insurance, the old Murray-Wagner-Dingell Bill, under which $3 billion would be collected into Washington from the Nation's wage earners and used to pay all the doctors in the country. It is said that this is not socialized medicine because you can choose your own doctor. It is socialized medicine, because your doctor is paid by the Government and the medical profession becomes in effect Government employees. Can anyone be surprised that there is some delay in enacting such a left wing communist proposal?

When it comes to real legislation to improve social welfare through Federal aid to States and local governments, the President admits there is no lack of cooperation. The Senate passed the Hospital Aid Bill. Housing legislation is proceeding rapidly, but it takes time to work out laws of this kind on sound principles of local control and reasonable cost.

Truman Indifferent to Costs

Fifth, the President has made many other recommendations without the slightest evidence that he cares how much they will cost or whether enough money can be raised to pay for them. More Federal buildings — Federal grants for every kind of local public works — Missouri Valley Authorities—St. Lawrence Waterways—have tumbled into Congress from the Presidential cornucopia. Two billion a year for compulsory military training; six billion for Bretton Woods; three and one-half billion for the Export-Import Bank; two and one-half billion for UNRRA; four billion two hundred million for the British. But the President has never calculated what this is all going to cost, what the total postwar budget of the Government can be without a huge deficit, or where the money is coming from

Doesn't it occur to you that Congress ought to get credit for a little delay, instead of being subject to a barrage of letters and telegrams?

These measures represent a CIO-PAC program. They are based on more Federal power and more Federal spending. The President has definitely aligned himself with that group in the Democratic Party. That is the reason that the people and the representatives of the people in Congress disagree with him.

Whole Philosophy Changed

President Truman seems to have changed his whole philosophy since he said on March 21, 1939, when as United States Senator he addressed the Missouri Legislature: "I found out very soon after I had settled down to a study of my duties that the business of a good legislator is not to get things done quickly, as a good administrator has to do, but to prevent if possible the enactment of many crazy and crackpot measures. I have found that much deliberation and study on all proposed legislation is a great deal better for the public welfare than too much hurried and immediate action."

The President has opposed any declaration by Congress of the end of hostilities. That means a continued draft of men for military service in peacetime. Here again he is hanging on to power. At first, no one was released from the Armed Services. Now they are being released in floods, without any well-thought-out plan for turning the vast war army into a coordinated peacetime army of perhaps a million men, volunteers for the job. The Administration has blocked any attempt even to return fathers from the Armed Services.

Only Serious Charge

The only serious charge of delay against Congress relates to labor legislation. Ever since I have been in Congress, the Democratic Administration has blocked every attempt to enact comprehensive labor legislation, including a bill which Senator Ball and I urged at the time of Pearl Harbor. Suddenly on Dec. 3, with every legislative channel packed with year-end legislation, the President submits a fact-finding bill. It was hastily drawn and contained no principles of any kind.

For instance, although it prohibits strikes during a cooling-off period, it imposes no penalty whatever. Since the General Motors strikers refused to return to work on the President's request, why should they do so on what is merely a request by Congress? To prohibit something without a penalty is a slap on the wrist which simply discredits law and justice. But the President is apparently opposed to any measure with teeth in it, for he referred last night to all other measures pending in Congress, many of them carefully worked out, as being anti-labor.

Labor Problem Requires Careful Consideration

Should there be such a prohibition of strikes and, if so, what should the penalty be? These are complicated legal questions on which no one agrees. If a fact-finding body is to make recommendations, should Congress not declare the principles on which such recommendations shall be made? Should they give the President and his boards unlimited power, for instance, to require the man who is successful because of efficiency, hard work, or originality, to give more to his workmen than stupid and inefficient operators? You can't settle that kind of question without complete hearings and the most careful study.

One thing is certain. The President's bill will not prevent strikes, and no one has found a way to prevent strikes, except Mr. Stalin. If you can only prevent strikes by a general plan of compulsory wage arbitration, which leads inevitably to a Government fixing of wages and prices, then I am not in favor of prohibiting strikes.

But I do believe we can improve the process of conciliation and strengthen the principle of collective bargaining by imposing responsibility on both parties and prohibiting violence on both sides. I believe some kinds of strikes can be effectively prohibited.

It's Up to Congress Alone

The Education and Labor Committee of the Senate meets the day we return to Washington to begin hearings on the most serious and complicated problem which faces our domestic economy today. I fully agree with the President's suggestion that Congress should work out its own labor measures, and I believe that it should discard the rather futile gesture which the President has advanced.

To summarize, the Truman program has been delayed because it is superficial and ill considered, because it is a CIO-PAC program and not a Democratic program, because it adopts a philosophy with which the people do not agree.

Hosford Gives Fund for School Stadium

CLEVELAND, OHIO — Harry Hosford, Cleveland investment banker, 308 Euclid Avenue, has donated a $100,000 stadium for the Cleveland Heights High School, to be dedicated to the youth of the suburb "who fought to preserve democracy and who will work to preserve democracy in the future." The financier stated that as other means of financing the project did not seem available, he was willing to "back his faith in the future of the country and in the young people by donating $100,000 for such a purpose."

Mr. Hosford, who formed his own investment banking business in 1916, gained attention in 1943 when his war bond purchases totalled $32,000,000.

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Condensed Statement of Condition, December 31, 1945

RESOURCES		
Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers		$ 657,605,517.44
U. S. Government Obligations		2,059,320,457.25
Loans and Bills Purchased		960,041,680.13
Public Securities	$ 83,754,451.20	
Stock of the Federal Reserve Bank	7,800,000.00	
Other Securities and Obligations	19,056,995.34	
Credits Granted on Acceptances	2,702,679.85	
Accrued Interest and Accounts Receivable	11,960,826.86	
Real Estate Bonds and Mortgages	1,592,633.50	
		126,867,586.75
Bank Buildings		9,526,331.19
Other Real Estate		145,468.86
Total Resources		$3,813,507,041.62
LIABILITIES		
Capital	$ 90,000,000.00	
Surplus Fund	170,000,000.00	
Undivided Profits	52,676,254.64	
Total Capital Funds		$ 312,676,254.64
General Contingency Reserve		35,718,020.62
Deposits	$3,261,539,251.63	
Treasurer's Checks Outstanding	47,913,255.52	
Total Deposits		3,309,452,507.15
Bills Payable		120,000,000.00
Acceptances	$ 7,774,473.01	
Less: Own Acceptances Held for Investment	5,071,793.16	
	$ 2,702,679.85	
Liability as Endorser on Acceptances and Foreign Bills	170,859.00	
Dividend Payable January 2, 1946	2,700,000.00	
Items in Transit with Foreign Branches (and Net Difference in Balances between Offices Due to Different Statement Date of Foreign Branches)	2,115,243.88	
Accounts Payable, Reserve for Expenses, Taxes, etc.	27,971,476.48	
		35,660,259.21
Total Liabilities		$3,813,507,041.62

Securities carried at $1,094,870,040.30 in the above Statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, to secure Bills Payable, and for other purposes. This Statement includes the resources and liabilities of the English, French, and Belgian Branches as of December 26, 1945.

Member Federal Deposit Insurance Corporation

The Outlook for the Stock Market in 1946

(Continued from page 125)

strikes and threats of strikes will be combined with a continuation of price controls severe enough to seriously impair profit margins in many industries. Such a combination could have a serious effect on the earnings and dividends of some companies and a decidedly restrictive effect on the overall level of earnings and dividends. This would undoubtedly impair both business and stock market confidence, the latter in particular because of the high hopes that have and are still being held for 1946.

Supposing we give the unfavorable factors as heavy a weight as possible. Supposing we say that price controls will be continued in their present form through all of 1946, that substantial wage increases will be granted and only nominal and insufficient price increases granted, that strikes will continue off and on throughout the year, disrupting production and that all of these factors will have a serious and disappointing effect upon earnings and dividends. What then will be the repercussions on stock prices?

Varying Effects on Individual Industries

Before answering this question one must immediately consider the fact that all industries will not be similarly affected; that considerable segments of industry will be very little jarred by strikes or wage increases; that many are capable of absorbing 15 and 20% wage increases without more than minor declines in their profit margins and that others will show only minor declines once they are rolling in full production and have worked out other methods of cutting costs.

Working on the most pessimistic basis as outlined but allowing for the variations just mentioned, it is theoretically possible to cut sizable amounts off the 1946 earnings forecasts of a few of the stocks in the Dow-Jones averages, small amounts off a number of others, and little or nothing from others. Obviously it is possible, if improbable, that the Bethlehem Steel and U. S. Steel might show virtually no earnings in 1946, that Chrysler and General Motors might run well below what had been expected. But it is equally obvious that it is going to be virtually impossible to prevent the single item of tax relief alone from raising the earnings of du Pont, Eastman Kodak, Allied Chemical, Sears Roebuck, Union Carbide and Goodyear, among others, well above those shown for 1945.

Slashing at earnings in this thoroughly pessimistic manner, the worst that it is possible to do is to reduce Dow-Jones earnings for 1946 to between $10.50-11.00 a share, as compared with the more generally accepted estimates of $12 or better. The $10.50 figure is so "realistic" that it doesn't make sense and $11 seems much fairer.

Prospective Prices Based on Earnings

Now it is true, if earnings are to be only $11 in 1946, that a level of around 190 or a little better than 17 times earnings is not cheap and that anything above 200 would be extravagant. And it can be said that a period of temporary pessimism might bring a decline to 15 times earnings or 165 in the average. Such a drop of roughly 16% from the present levels would not be cataclysmic to the long term investor but it would be painful to him and disastrous to the speculator. But the application of other factors makes the 165 level one which either is unlikely to be reached or unlikely to be touched more than momentarily. It would be reasonable to expect dividends of $7.50 to $7.70 a share to be paid out of $11 earnings. So that at 165 the average would be yielding 4.5%, a better yield than at any time in 1945 when the yield ranged between 3.45 and 4.40%. This in turn would place stock yields in an extremely favorable relationship to bond yields. When the monetary factor is thrown in a decline to as low as 165 seems highly improbable and it becomes doubtful that anything below 180 is to be expected.

This brings us to the question of the pattern of stock prices for 1946. If there is to be any sizable reaction from the present level it seems obvious that it must occur in the first half of the year and possibly in the first four months. This will be the period during which the greatest disruption of production due to strikes can be expected. It will be the period in which the greatest doubts about the profit margin are apt to arise and in which the rate of earnings and the actual earnings for the year will be most in question. The larger part of the increase in dividends may not occur until the second half of the year, making the yield factor less of a sustaining influence than it will be in the later period, but this will be partially offset by the more favorable outlook for the second half of the year.

Boom Likely in Second 6 Months

The second half of the year appears likely to be the one in which the favorable factors will come back into their own, if they have been temporarily obscured in the first half. The volume of production will be increasing and helping to absorb increased costs. Some price increases will have been permitted even if the OPA is continued. The unfavorable factors will at least be being ameliorated and the increase in dividends over 1945 will become more pronounced as the rate of earnings rises. At this time the market's well established habit of selling on the basis of what it believes the future rate of earnings will be may well assert itself most strongly.

It is entirely possible that the latter part of 1946 will find earnings beginning to run at a rate for the Dow-Jones average well above $12 a share and that the market will begin to sell at levels that will anticipate very high earnings in 1947. It is possible to envisage a situation in which such anticipation of increased and increasing earnings and dividends would seem to justify a level of 250 in the average or higher. The experience of 1928 might well be fairly closely paralleled, just as 1945 has been a surprisingly close parallel of 1927.

It may seem decidedly premature to add a word of caution concerning a condition that may only theoretically exist towards the end of the year. But there is such a real possibility that late this year we will find the stock market at sharply higher levels as it engages in the process of discounting what may turn out to be the most favorable rate of earnings and dividends to be expected in this bull market, that it seems more than worth while to consider such a situation well in advance.

Year-End Caution Urged

Of course the most important thing to do will be to analyze with extreme care the then and the prospective rates of earnings and dividends to determine both whether the peak in earnings and dividends is being approached and how long they may be expected to continue at a high rate. It will be almost as important to review the relationship of stock and bond yields and the influence of the money supply and monetary factor to decide whether these factors should be depended upon as heavily as they have in the past. There is a tendency in bull markets, which grows stronger the longer the bull market continues, to take for granted certain factors that were obviously bullish througout the early and middle stages and to be lulled into the belief that these factors will never lose their force.

It may become extremely dangerous to rely to any great extent on what may appear to be, on an historical basis, a still favorable relationship between stock and bond yields. The extremely low level of bond yields may make it virtually impossible to bring stock yields down to or below them. It also will be necessary to equate the money supply and its direction with the increase in security prices, to recognize that this factor is fundamentally a passive one that needs such stimulants as rising earnings, dividends and stock prices to make it dynamic and to question its force as a bullish factor if there are any indications that a peak in earnings is visible in the relatively near future. Money does not go into the stock market in quantity if earnings and dividends have or are about to turn downward.

The outlook for 1946 is a favorable one, subject to relatively minor interruptions, and we again have a "New Era," but New Eras always create new problems.

Business Established 1818

BROWN BROTHERS HARRIMAN & CO.
PRIVATE BANKERS
NEW YORK BOSTON PHILADELPHIA

Statement of Condition, December 31, 1945

ASSETS

Cash on Hand and Due from Banks		$ 42,171,878.50
United States Government Securities . . .		58,391,036.74
State, Municipal and Other Public Securities		46,794,566.71
Other Marketable Securities		5,235,916.80
Loans and Discounts		48,474,193.47
Customers' Liability on Acceptances . . .		7,918,295.52
Other Assets		716,920.39
		$209,702,808.13

LIABILITIES

Deposits—Demand . . .	$183,587,137.89	
Deposits—Time	2,944,451.90	$186,531,589.79
Acceptances	$ 8,225,249.03	
Less Held in Portfolio.	419,804.01	7,805,445.02
Accrued Interest, Expenses, etc.		180,489.78
Reserve for Contingencies		1,500,000.00
Capital	$ 2,000,000.00	
Surplus	11,685,283.54	13,685,283.54
		$209,702,808.13

U. S. Government Securities Par Value $700,000 are Pledged to Secure Public Deposits as Required by Law.

PARTNERS

Moreau D. Brown *W. A. Harriman
Thatcher M. Brown Stephen Y. Hord
Prescott S. Bush Thomas McCance
Louis Curtis Ray Morris
E. R. Harriman H. D. Pennington
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**Now in Government Service.*

Licensed as Private Bankers and subject to examination and regulation by the Superintendent of Banks of the State of New York and by the Department of Banking of the Commonwealth of Pennsylvania. Subject to supervision and examination by the Commissioner of Banks of the Commonwealth of Massachusetts.

Quarter Century for Carreau & Co. in "Street"

Carreau & Company, 63 Wall Street, New York City, members New York Stock Exchange, established on Jan. 6, 1921, is celebrating its 25th anniversary.

Benton Lee Co. Opens in Phoenix, Ariz.

PHOENIX, ARIZ.,—Walter R. Bimson, President of the Valley National Bank, has announced the resignation, effective Dec. 31, of Benton M. Lee, Vice-President, who has been in charge of the bank's investment department for the past three years. Mr. Lee is resigning to establish his own investment brokerage firm, Benton M. Lee & Company, but will continue to serve the bank as an investment consultant, Mr. Bimson said.

Benton M. Lee & Company opened its new offices in the Security Building on Jan. 1. The firm handles U. S. Government bonds, municipal and corporation bonds and investment stocks, both as a dealer and a broker.

Mr. Lee has been on the Valley Bank staff since 1942 during the absence of his brother, Commander E. S. Lee, Vice-President in charge of the investment department, who recently returned to the bank following his discharge from the Navy.

Continuously engaged in the investment securities business for the past twenty years, Mr. Lee, prior to joining the Valley National Bank, maintained his own investment firm in Chicago. His investment experience began in 1926 when he joined the bond department of the Harris Trust and Savings Bank in Chicago.

Union Asbestos & Rubber Common Stock Offered

A group of 42 underwriters headed by Kuhn, Loeb & Co. on Jan. 7 offered to the public 217,384 shares of ($5 par) common stock of Union Asbestos & Rubber Co. at $17.50 a share. The offering marks the initial opportunity for public participation in the stock ownership of the company, which since its incorporation in Illinois in 1918, has been privately held.

None of the proceeds from the sale of this stock will revert to the company, all of the shares being offered having been purchased by the underwriters from present stockholders.

In preparation for the public financing, Union Asbestos last November reclassified and increased its authorized capitalization from 70,000 shares ($10 par) stock, of which 59,422 shares were outstanding, to 500,000 shares of ($5 par) stock, of which 475,376 shares are outstanding. The increase was effected through the issuance of eight shares of new stock for each one share of old.

The principal business of the company is the manufacture and sale of insulation materials. It also manufactures special steel-fabricated equipment for railroads, consisting principally of stationary and convertible bulkheads for refrigerator cars.

Judson James, Jr., Again With James Stayart

DALLAS, TEX.—James, Stayart & Davis, Inc., First National Bank Building, announce that Judson S. James, Jr., having terminated his services after three and one-half years as executive manager of the War Finance Committee of Texas, is again actively associated with their firm.

Rankin Returns to Putnam

HARTFORD, CONN.—William J. Rankin, Jr., who served as Lieut. Commander in the U. S. Naval Reserve, has returned to Putnam & Co., 6 Central Row, members New York Stock Exchange.

Truman Places Blame for Reconversion Snags

(Continued from page 122)

to you—the American people—on issues which will be the subject of debate when the Congress reconvenes.

Nineteen hundred and forty-six is our year of decision. This year we lay the foundation of our economic structure which will have to serve for generations. This year we must decide whether or not we shall devote our strength to reaching the goal of full production and full employment. This year we shall have to make the decisions which will determine whether or not we gain that great future at home and abroad which we fought so valiantly to achieve.

I wish I could say to you that everything is in perfect order—that we are on the way to eternal prosperity.

I cannot.

The months ahead will be difficult. We are well along the road toward our goal, but at every turn we run the risk of coming upon a barrier which can stop us.

In the message to the Congress on Sept. 6, 1945, and in other messages I have outlined legislative proposals to meet the problems which lie ahead. Many of these proposals are pending before the Congress. A few have been adopted. Progress on most of them has been distressingly slow.

Foreign Legislation Attended To

Now, at the beginning of this new year, is a good time to take stock.

First, I can say with emphasis that the legislative branch of our government has done its full share toward carrying out its responsibility in foreign affairs.

The Congress has approved the Charter of the United Nations Organization. It has provided for full participation by the United States. It has continued the program of reciprocal trade agreements. It has approved participation in the United Nations Food Organization. It has passed legislation carrying out the Bretton Woods Agreement. It has provided support to the United Nations Relief and Rehabilitation Administration.

The Congress is indeed to be congratulated by the people on all that it has contributed toward co-operation among the nations of the world in their search for peace and security. I shall have more to say about the foreign policy of the United States in the annual message to the Congress.

Domestic Problems Neglected

When we turn to our domestic problems, we do not find a similar record of achievement and progress in the Congress.

And yet our domestic post-war problems are just as serious—and in many ways just as difficult—as our international problems. Unless we can soon meet the need of obtaining full production and employment at home we shall face serious consequences. They will be serious not only in what they mean to the American people as such, but also in what they can do to our position as a leader among the nations of the world.

With the surrender of Japan last August we set certain domestic goals to be attained. The tasks before us were clear then; they are clear now.

We had to reconvert our economy from war to peace—as rapidly as possible.

We had to keep employment and wages and purchasing power on a high level during the change-over.

We had to keep the prices of commodities from going up too high. We had to get civilian goods produced and put upon the market promptly.

In other words our primary aim was to bring about an expanded production and steady, well-paid jobs and purchasing power for all who wanted to work — high farm income — and good profits based on big volume.

Reaching that goal means better homes, better food, better health, better education and security for every citizen of the United States. It means bigger and steadier markets for business. It means world confidence in our leadership.

Goal Not Obtained

We have gone a long way in getting our workers and factories back on peace-time jobs. War plants have been cleared in large numbers, and their war contracts settled. Men, machines and raw materials are already back in peace-time production in greater numbers, and are producing more goods than any one of us dared to expect a few months ago.

But we are a long way from our goal.

The return of the United States to a peace-time economy in 1946 requires the same co-operation that we had during the war years. Industry, labor, agriculture, the Congress, the President—each of these—is called upon to do certain things. None of them can do the job alone. Together they can.

There is one vast difference, however, between 1941 and 1946. While we were producing to meet the needs of war, we had the great stimulus of the war itself. That stimulus is now gone. The co-operation and teamwork in some quarters, I am sorry to say, have suffered proportionately.

Dangers of Reconversion Period

The reconversion period through which we are now passing has as many elements of danger to our economy as the war period. Whether we fall into a period of great deflation because of unemployment and reduced wages and purchasing power, or whether we embark upon a period of great inflation with reduced production and spiraling prices — the result will be equally disastrous.

Immediately after the surrender of Japan, in the full flush of our victory, representatives of the Congress, of industry, of labor and of farm organizations called upon me. From them I received promises of co-operation and teamwork during this reconversion period.

I regret to say that those promises have not all been kept. As a result, many obstacles have been thrown in our path as we have tried to avert the dangers of inflation and deflation.

Labor-Management Disputes

First among these obstacles have been labor-management disputes.

Immediately after V-J Day the government announced a policy of taking off the war-time controls which it had exercised over wages and over industrial relations as whole. It was thought, particularly by labor and management, that through collective bargaining, labor and management would able to find common ground, that they would be able to agree upon ways to avoid stoppages of work and to continue the production that was so necessary to our economic life.

Industrial Disputes

Unfortunately industrial disputes soon began, and many strikes were called. Many of these disputes and strikes were settled or conciliated. But there were some strikes of nation-wide importance in which collective bargaining and conciliation both failed.

In order to enable management and labor to make a common effort to find means for preventing work stoppages, and to consider many other aspects of industrial relations, the government invited their representatives to meet in a conference of their own, in Washington.

Although it did reach agreement on some matters and although it did pave the way for future meetings and discussions, the labor-management conference could not agree upon a solution of the most immediate and pressing problem—what to do about strikes when bargaining, conciliation and arbitration had all broken down.

As industrial strife has increased with automobile workers out on strike, and with the steel workers, electrical workers and packing-house workers scheduling strikes very soon, I have been deeply concerned about the future. I am sure that all of us, including these workers themselves, share that concern.

"Fact Finding" Proposals

When the labor-management conference ended it became my responsibility as the President of the United States to recommend a course of action. This I did in a message to the Congress on Dec. 3, 1945.

I recommended certain fact-finding procedures which I believe can go a long way toward meeting these problems.

I had hoped that the Congress either would follow my recommendations or would at least propose a solution of its own. It has done neither.

The purposes of my recommendation have been misrepresented by some of the spokesmen of both labor and management. The recommendations, however, are very clear.

I proposed that in the few nation-wide industries where a stoppage of work would vitally affect the national public interest, after all other efforts had failed, the government should step in to obtain all the facts and report its findings to the country.

Experience has repeatedly shown that once the public knows the facts it can make its opinion felt in a practical way. In order to give a fact-finding board a reasonable chance to function before a strike is actually called, I suggested that there be a thirty-day "cooling-off period." I further recommended that the power of subpoena be given to the fact-finding board so that it could get all the pertinent facts.

In the setting up of fact-finding boards, there is nothing harmful to labor. There is no reason why a strike cannot be postponed for thirty days. Nor is

(Continued on page 148)

Chartered 1799

BANK *of the* MANHATTAN COMPANY

NEW YORK, N. Y.

Condensed Statement of Condition
as of December 31, 1945

ASSETS

Cash and Due from Banks and Bankers	$ 305,697,448.68
U. S. Government Obligations	604,254,742.25
Other Public Securities	10,880,999.34
Other Securities.	26,903,207.77
Loans and Discounts	388,178,058.90
Real Estate Mortgages	4,671,812.68
Banking Houses Owned	12,283,825.40
Other Real Estate Owned	34,767.87
Customers' Liability for Acceptances	2,584,707.27
Other Assets	3,584,868.60
	$1,359,074,438.76

LIABILITIES

Capital (2,000,000 shares)	$20,000,000.00	
Surplus	30,000,000.00	
Undivided Profits	10,526,173.53	$ 60,526,173.53
Dividend Payable January 2, 1946		600,000.00
Deposits		1,212,711,911.91
Certified and Official Checks		77,602,302.43
Acceptances Outstanding		2,731,991.50
Other Liabilities, Reserve for Taxes, etc.		4,902,059.39
		$1,359,074,438.76

Of the above assets $299,119,334.07 are pledged to secure public deposits and for other purposes; and certain of the above deposits are preferred as provided by law.

Member Federal Reserve System
Member Federal Deposit Insurance Corporation

IRVING TRUST COMPANY

NEW YORK

Statement of Condition, December 31, 1945

ASSETS

Cash and Due from Banks	**$271,510,230.83**
U. S. Government Securities	**841,113,588.43**
Other Securities.	**8,175,893.45**
Stock in Federal Reserve Bank	**3,088,100.00**
Loans and Discounts	**279,238,814.88**
First Mortgages on Real Estate	**4,640,791.13**
Headquarters Building	**15,269,600.00**
Customers' Liability for Acceptances Outstanding.	**1,178,997.01**
Other Assets	**4,138,882.57**
	$1,428,354,898.30

LIABILITIES

Deposits	**$1,277,919,523.62**	
Official Checks	**25,349,694.94**	**$1,303,269,218.56**
Acceptances	**$5,717,287.01**	
Less Amount in Portfolio	**4,024,739.20**	**1,692,547.81**
Reserve for Taxes and Other Expenses.		**4,768,420.59**
Dividend payable January 2, 1946		**1,750,000.00**
Other Liabilities		**6,463,371.28**
Capital Stock	**$50,000,000.00**	
Surplus and Undivided Profits	**60,411,340.06**	**110,411,340.06**
		$1,428,354,898.30

United States Government Securities are stated at amortized cost. Of these, $333,496,813.10 are pledged to secure deposits of public monies and for other purposes required by law.

Member Federal Deposit Insurance Corporation

Truman Places Blame for Reconversion Snags

(Continued from page 147)

there any intention of taking away labor's right to strike. That right remains inviolate. There is no effort to shackle labor. There is only an effort to find the truth and to report it.

On the other hand there is nothing harmful to management in this proposal. No detailed information obtained from the books of any company is to be revealed. It is nothing new to have the government get accurate information from a corporation. It is done now by many Federal agencies—by the Bureau of Internal Revenue—by the Securities and Exchange Commission—by the Wage and Hour Division of the Department of Labor—by the Interstate Commerce Commission, and by many others.

Without legislation, fact-finding boards cannot function as efficiently as they can under a statute. For example, shortly after I made my recommendation to the Congress, I appointed a fact-finding board in the dispute between General Motors Corporation and the United Automobile Workers. I thought the matter too urgent to wait upon the passage of legislation. You have seen how the General Motors Corporation has refused to co-operate with this fact-finding board. There is no way that it can be compelled to co-operate unless a statute is passed giving the board the power of subpoena. That is what is now up to Congress.

Every day that production is delayed and civilian goods are kept from our markets by strikes or lockouts brings injury to our reconversion program. Already millions of dollars in wages have been lost to workers. Laboring men and women are using up their savings. It is for these reasons that I urged the Congress to pass this legislation without delay. This legislation is still in the Committee on Labor in the House of Representatives and in the Committee on Education and Labor in the Senate.

I am sure, from all the sources of information which I am able to use, that the American people agree with the necessity for some fact-finding legislation along the lines recommended. The time has come for every citizen of the United States to make his opinion known to his representative in the Congress. Once that is done, you may be sure that results will follow.

Most Powerful Pressure Group

I was a member of the Congress for ten years, and am familiar with groups of all kinds representing special interests. Some are right, and some are wrong. But there are those who, when they decide to make themselves felt, are the most powerful pressure group in the world. I mean the American people—the great mass of our citizens who have no special interests, whose interests are only the interests of the nation as a whole. The only difficulty is that the great public body of American citizens who are not organized find it difficult to make themselves heard.

I hope that the members of the Congress will talk to their constituents while they are at home on vacation, and that immediately upon their return they will really do something substantial about strikes along the lines I have suggested instead of merely talking about them.

I have indicated my opposition, and I repeat it now, to the anti-labor bills pending in the Congress which seek to deprive labor of the right to bargain collectively, or which seek to deprive a union of its ultimate right to strike. That is why I am so anxious to have on our books an effective statue which will have none of the evil effects of some of the legislation now pending.

Price Controls

Of equal importance with the settlement of management-labor disputes during this reconversion period is the question of keeping prices on an even keel. Here too there are pressure groups at work in the Congress and outside of the Congress, constantly pushing, lobbying, arguing to take off price controls and let prices go up without interference.

We cannot keep purchasing power high or business prosperous if prices get out of hand. There is no use talking about the expanded production upon which steady jobs depend, unless we keep prices at levels which the vast majority of the people can afford to pay.

Today the pressures for inflation are many times stronger than those which caused the inflation after World War I and which caused the 1920 depression.

The inflationary pressures now at work can bring an inflation and a crash that will be much more serious than 1920. That is why it is so important to get a high volume of production, a large supply of marketable goods right away. Production is the greatest weapon against inflation.

Until enough goods can be made to supply the demand, the power of the government must be used to keep prices down—or inflation will soon be at hand.

People have a right to protection for their savings. They should be assured that their earnings will give them a decent standard of living. Business men who want to plan ahead have the right to know now that the prices of the things they will have to buy in the future will remain predictable. They must have confidence now that the purchasing power upon which their markets depend will be protected.

We are all anxious to eliminate controls just as rapidly as we can do so. The steps that we have already taken show that. But price and rent controls will have to be maintained for many months to come, if we hope to maintain a steady and stable economy. The line must be held. I shall urge the Congress after it reconvenes to renew the act as soon as possible and in advance of its expiration date, June 30, 1946.

Price control is only one of the war powers which require extension. Another is the second war powers act, recently extended for six months instead of a year as I requested. Since we already know that war-born shortages of certain materials will surely plague us after June 30 of this year, when the extended law will expire, the law should be extended again now. If this is done, all business men will know that short materials will continue to be fairly controlled and distributed. Unless we do this now, controls will begin to break down in a short time.

Proposals Still Unenacted

There are other things which should be done by the Congress if it would fulfill its responsibility to the nation. Many of these measures have already been recommended by me, and have been written into proposed legislation by individual Congressmen. But the Congress has done little—very little—about them.

One essential part of our program designed not only to tide us over the reconversion period but also to carry us to our goal of full production and a higher standard of living is the adoption of full employment legislation. A satisfactory full employment bill was passed by the Senate. Another bill was passed by the House of Representatives which is not at all acceptable, and which does not accomplish any of the purposes sought. These two bills are now in conference between the Senate and the House of Representatives.

It was my fervent hope, and I am sure that it was the hope of all progressive Americans, that before the recess of the Congress for the Christmas holidays the conferees would have reported a satisfactory full employment bill for adoption by both houses. No such bill has been reported. It is most important that the conferees report a satisfactory bill immediately upon the reconvening of the Congress.

One of the measures which I have been urging upon the Congress ever since May of last year is that the Federal government make provision to supplment the unemployment insurance benefits now provided by the different states.

While unemployment has not reached anything like the level which was feared, there still is need to provide at least some measure of subsistence to those men and women who do lose their jobs by the end of war production.

The Senate has passed an acceptable measures along these lines: But in the House of Representatives the bill is now locked up in the Ways and Means Committee. It will remain locked up in that committee unless the people of the United States insist that it be reported out and passed.

On several occasions I have also asked that the Congress outlaw by permanent statute un-American discriminiation in employment. A small handful of Congressmen in the Rules Committee of the House have prevented this legislation from reaching a vote by the Congress. Legislation making permanent the Fair Employment Practices Committee would carry out a fundamental American ideal. I am sure that the overwhelming mass of our citizens favor this legislation and want their Congressmen to vote for it.

Minimum Wage Issue

I have also asked that the Congress raise substantially the amount of minimum wages now provided by law. There are still millions of workers whose incomes do not provide a decent standard of living. We cannot have a healthy national economy so long as any large section of our working people receives wages which are below decent standards. Although hearings have been held on this question in the Congress, no action has been taken.

The bills are now resting in the Education and Labor Committee of the Senate and in the Labor Committee of the House.

And so it goes with measure after measure now in the Congress. Time is running out. There are other problems: comprehensive scientific research, universal training, a health and medical care program, an adequate salary scale for Federal employees, the Presidential succession, river valley development and others.

Wants No Conflict with Congress

I intend no blanket criticism of the Congress. Devoted and far-seeing men in both the Senate and the House have labored to make effective a program adequate to our needs. But if they are to succeed, they must be reinforced by you—the people they represent.

And let me make it very clear that when I speak of bills not getting any action, it is not the Congress as a whole which is responsible. All these measures—and many others—have been referred to various committees of the Congress. That is the regular procedure. There they await action. Generally speaking, unless the committee acts to report the bills, the members of the Congress as a whole never get a chance to vote for or against them.

It is the committees which hold up action on bills. Indeed, it is usually not even the whole committee. On many of these subjects, I personally know that there are individual members of the respective committees who are trying to induce their colleagues to report bills. But often a bare majority of a committee—a handful of men—can prevent a vote by the whole Congress on these measures of majority policy.

What I am asking is that these various committees at least give the representatives of the people a chance to vote "yes" or "no" on these vital issues—and that they give them that chance soon.

"Must" Objectives

When I speak of my recommendations and proposals I also want to make it very clear that I have no pride of authoriship in them at all. There are, however, such things as "must" objectives. It is my responsibility to outline those objectives to the Congress and to the people. And to attain those objectives, there are certain steps which must be taken, to get us safely over this reconversion period and to establish and maintain a stable economy for the future.

If the measures which I have recommended to accomplish these ends do not meet the approval of the Congress, it is my fervent wish—and I am sure that it is the wish of my fellow-citizens—that the Congress formulate measures of its own to carry out the desired objectives. This is definitely the responsibility of the Congress. What the American people want is action.

In any discussion of action at this time, housing must be considered. In this field, the Congress is co-operating, and there is much to be done.

Of the three major components which make up our standard of living—food, clothing and housing—housing presents our most difficult problem.

As for food, there is every prospect that 1946 will be a peak year of production. As for clothing, it is expected that production will reach a satisfactory level some time this year. But in housing the situation is different.

Housing Problem

We urgently need about five million additional homes—now. This does not include the replacement of millions of existing substandard dwellings in the cities

(Continued on page 152)

THE PUBLIC NATIONAL BANK
AND TRUST COMPANY OF NEW YORK
Main Office, 37 Broad Street

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CONDENSED STATEMENT
OF CONDITION
December 31, 1945

RESOURCES

Cash and Due from Banks	$102,852,117.41
U. S. Government Securities	324,192,673.58
State and Municipal Securities . . .	7,603,250.31
Other Securities	2,407,076.17
Loans and Discounts	136,793,239.93
Customers' Liability for Acceptances .	1,522,040.72
Stock of the Federal Reserve Bank . .	660,000.00
Banking Houses	1,915,786.70
Other Real Estate	25,143.66
Accrued Interest Receivable	1,241,454.18
Other Assets	323,234.90
	$579,536,017.56

LIABILITIES

Capital	$9,625,000.00	
Surplus	12,375,000.00	
	22,000,000.00	
Undivided Profits	4,892,178.13	$26,892,178.13
Dividend Payable January 2		165,000.00
Unearned Discount		360,979.86
Reserved for Interest, Taxes, Contingencies		4,304,692.24
Acceptances	$3,195,332.68	
Less: Own in Portfolio .	1,120,409.71	2,074,922.97
Other Liabilities		240,264.29
Deposits		545,497,980.07
		$579,536,017.56

Securities carried at $86,010,364.28 are pledged to secure U. S. Government War Loan Deposits of $83,449,424.20 and other public and trust deposits, and for other purposes as required or permitted by law.

MEMBER: N. Y. CLEARING HOUSE ASSOCIATION • FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION

25 Offices Located Throughout Greater New York

Anglo-American Financial Arrangements

(Continued from page 127)

Washington than in London, and how easy it is to misunderstand one another's difficulties and the real purpose which lies behind each one's way of solving them. As the Foreign Secretary has pointed out, everyone talks about international co-operation, but how little of pride, of temper or of habit anyone is willing to contribute to it when it comes down to brass tacks.

The Bretton Woods Program

When I last had the opportunity of discussing the Bretton Woods plan in your Lordships' House, the plan stood by itself, and its relationship to post-war policy as a whole was not clear. This was responsible for the least easily answered criticisms. All one could say in reply was that the plan was not intended to stand by itself, but one must begin somewhere. The other aspects were not yet ready for proposals, though details would be taken in hand as soon as possible. Today the situation is different. A more or less complete outline for the re-ordering of commercial and currency policies in their international aspects and their reconversion to peace-time practice is now available. Each part is complementary to the rest. Whether it be well or ill-conceived, in the rounded whole which your Lordships have before you, the proposals fall into three parts: a blue print called long-term organization of world commerce and foreign exchanges on a multilateral and non-discriminatory basis; short-term proposals for the early reconversion of the sterling area in the same direction; and an offer of financial aid from the United States to enable this country to overcome the immediate difficulties of transition which would otherwise make the short-term proposals impracticable and delay our participation and collaboration with the United States in getting the rest of the world along the lines of the long-term policy indicated.

Forbids Bilateral Trade Arrangements

Each of these parts has been subjected to reasonable criticism. The long-term blue print invites us to commit ourselves against the future organization of world trade on the principle of tying the opportunity of export to import by means of bilateral and discriminatory arrangements and unstable exchanges such as are likely to involve in practice the creation of separate economic blocs. It is argued that this is premature and unreasonable until we have found means to overcome the temporary difficulties of transition and have more experience of the actual conditions of the post-war world, in particular of how a full employment policy works out in practice in its international aspects. The short-term proposals have been criticized on the grounds that they do not allow us enough time to liquidate the very complex war-time arrangements, or to arrange the onerous financial obligations which they heaped on us. Finally, a complaint is made of the terms of the financial aid from the United States, that the amount is insufficient and the burden of the interest too heavy.

It is not for one who has striven every day for three months to improve these proposals so as to lay them less open to these criticisms, and who perhaps knows better than most people how imperfectly he has succeeded, to take these criticisms lightly; nor on the day after my return to this country am I yet in a position to judge with much accuracy, the mood which underlies the criticisms which are being made, and which is probably more significant than the particular complaints in which it has been finding its outlet. Nevertheless I wonder if this first great attempt at organizing international order out of the chaos of the war in a way which will not interfere with the diversity of national policy yet which will minimize the causes of friction and ill-will between nations, is being viewed in its right perspective. I feel sure that serious injustice is being done to the liberal purposes and intense goodwill towards this country of the American people as represented by their administration and their urgent desire to see this country a strong and effective partner in guiding a distressed and confused world into the ways of peace and economic order.

The Loan Agreement

Let me plunge at once into the terms of the loan and the understandings about short-term policy which are associated with it. Since our transitory financial difficulties are largely due to the role we played in the war and to the costs we incurred before the United States entered the war, we here in London feel—it is a feeling which I shared and still share to the full—that it might not be asking too much of our American friends that they should agree to see us through the transition by financial aid which approximated to a grant. We felt it might be proper for us to indicate the general direction of the policies which that aid would enable us to pursue and to undertake to move along those lines, particularly in terminating the discriminatory features of the exchange arrangements of the sterling area as quickly as circumstances permit and that subject to those general understandings, we should be left as free as possible to work things out in our own way. Released from immediate pressing anxieties on terms which would not embarrass the future, we could then proceed cautiously in the light of experience of the post-war world as it gradually disclosed its lessons.

Clearly that would have given us the best of both worlds. How reasonable such a program sounds in London and how natural the disappointment when the actual proposals fall seriously short of it. But what a gulf separates us from the climate of Washington; and what a depth of misunderstanding there will be as to what governs relations between even the friendliest and most like-minded nations if we imagine that so free and easy an arrangement could commend itself to the complex politics of Congress or to the immeasurably remote public opinion of the United States. Nevertheless, it was on these lines that we opened our case. For three days the heads of the American delegation heard me expound the material contained in the White Paper to which the noble and learned Viscount, Lord Simon, referred. He would have done it more eloquently, but I can fairly say that I was heard not only with obvious and expressed goodwill and plain sympathy, but also with a keen desire on their part to understand the magnitude and the intricacies of our problem.

American Reaction

I must, at this point, digress for a moment to explain the American response to our claim that for good reasons arising out of the past they owe us something more than they have yet paid, something in the nature of deferred Lend-Lease for the time when we held the fort alone, for it was here that in expounding our case we had an early and severe disappointment. It would be quite wrong to suppose that such considerations have played no part in the final results. They have played a vital part; we could never have obtained what we did obtain except against this background. Nevertheless, it was not very long before the British delegation discovered that a primary emphasis on past services and past sacrifice would not be fruitful. The American Congress and the American people have never accepted any literal principle of equal sacrifice, financial or otherwise, between all the allied participants. Indeed, have we ourselves?

It is a complete illusion to suppose that in Washington you have only to mention the principle of equal sacrifice to get all you want. The Americans—and are they wrong?—find a post-mortem on relative services and sacrifices amongst the leading Allies extremely distasteful and dissatisfying. Many different countries are involved and most of them are now in Washington to plead their urgent needs and high deserts. Some have rendered more service than others to the common cause; some have experienced more anguish of mind and destruction of organized life; some have suffered, voluntarily or involuntarily, a greater sacrifice of lives and of material wealth; and some of them have escaped from a nearer, more imminent or deadlier peril than others. Not all of them have had out of Uncle Sam the same relative measure of assistance up to date.

Thinking of the Future

How is all this to be added, subtracted and assessed in terms of a line of credit? It is better not to try; it is better not to think that way. I give the American point of view. Is not it more practical and more realistic—to use two favorite American expressions—to think in terms of the future and to work out what credits, of what amount and upon what terms, will do most service in reconstructing the postwar world and guiding postwar economy along those lines which, in the American view, will best conduce to the general prosperity of all and to the friendship of nations? This does not mean that the past is forgotten, even though it may be beginning to fade, but in no phase of human experience does the past operate so directly and arithmetically as we were trying to contend. Men's sympathies and less calculated impulses are drawn from their memories of comradeship, but their contemporary acts are generally directed towards influencing the future and not towards pensioning the past. At any rate I can safely assure you that that is how the American Administration and the American people think. Nor, I venture to say, would it be becoming in us to respond by showing our medals, all of them, and pleading that the old veteran deserves better than that, especially if we speak in the same breath of his forthcoming retirement from open commerce and the draughts of free competition, which most probably in his present condition would give him sore throat and drive him still further indoors.

What America Desires

If the noble Lord, Lord Woolton, had led the Mission to Washington—as I indeed wish that he had—I would lay a hundred to one that he would not have continued in the vein in which he spoke yesterday for more than a few days. Neither pride of country nor sense of what is fitting would have allowed him, after he had sensed from every sort of information open to him how Americans responded to it, to make an open attempt to make what every American well appreciated was well enough known in men's hearts the main basis for asking for a gigantic gift. We soon discovered, therefore, that it was not our past performance or our present weakness but our future prospects of recovery and our intention to face the world boldly that we had to demonstrate. Our American friends were interested not in our wounds, though incurred in the common cause, but in our convalescence. They wanted to understand the size of our immediate financial difficulties, to be convinced that they were temporary and manageable and to be told that we intended to walk without bandages as soon as possible. In every circle in which I moved during my stay in Washington, it was when I was able to enlarge on the strength of our future competitive position, if only we were allowed a breather, that I won most sympathy. What the United States needs and desires is a strong Britain, endowed with renewed strength and facing the world on the equal or more than equal terms that we were wont to do. To help that forward interests them much more than to comfort a war victim.

Terms Not Entirely Agreeable

But there was another aspect of the American emphasis on the future benefits which were expected as a result of financial aid to Britain. Those on the American side wanted to be able to speak definitely and in plain language to their own business world about the nature of the future arrangements in regard to commerce between the United States and the sterling area. It was the importance attached on the American side to their being able to speak definitely about future arrangements that made our task so difficult in securing a reasonable time and reasonable elasticity of action. As the Chancellor of the Exchequer has explained in another place, we ran here into difficulties in the negotiations; and we accepted in the end more cut-and-dried arrangements in some respects than we ourselves believed to be wise or beneficial, as we explained in no uncertain terms and with all the force at our command. We warned them that precisely those criticisms which have been raised would be raised, and justly raised in Parliament. They on their side, however, were not less emphatic that we should render their task impossibly difficult in commending their proposals to their own public unless we could find ways of meeting their desire for definiteness, at least to a certain extent.

Yet I must ask Your Lordships to believe that the financial outcome, though it is imperfectly satisfactory to us, does represent a compromise and is very considerably removed from what the Americans began by thinking reasonable, for at the outset the peculiar complexities of our existing arrangements were not at all un-

(Continued on page 150)

FEDERATION BANK AND TRUST COMPANY

Thirty-fourth Street at Eighth Avenue

Member: Federal Deposit Insurance Corporation, Federal Reserve System

Comparative Statement of Condition

		December 30/44		December 31/45
RESOURCES				
Cash and Due from Banks		$ 7,916,539.95		$ 9,922,247.25
U. S. Government Securities		12,473,659.99		16,874,401.44
Municipal Bonds (New York City)		2,982,986.20		4,504,640.84
Public Authority Bonds		------		269,754.69
Stock in Federal Reserve Bank of New York		66,000.00		87,000.00
Stock in Federation Safe Deposit Co.		98,300.00		92,400.00
Loans and Discounts		8,068,228.75		9,400,785.13
Bonds & Mortgages—Less Reserve		309,878.65		9,140.91
Real Estate Owned—Less Reserve		389,762.13		------
Interest Earned But Not Collected		72,329.05		111,893.28
Furniture and Fixtures		40,310.06		27,552.68
Customers Liability Account of Letters of Credit and Acceptances		299,167.35		423,629.42
Other Resources		13,606.50		20,807.40
		$32,730,768.63		$41,744,253.04
LIABILITIES				
Capital Stock (10.00 Par Value)		$ 1,000,000.00		$ 1,500,000.00
Surplus		1,200,000.00		1,400,000.00
Undivided Profits		415,026.49		468,236.93
Reserve for Contingencies		60,882.68		156,920.61
Reserve for Taxes, Interest and Accrued Expenses		12,642.35		67,862.18
Unearned Discount		40,281.75		56,702.51
Deposits: U. S. Govt.	$3,355,154.74		$6,365,935.47	
All other	26,251,355.78		31,252,870.70	
		29,606,510.52		37,618,806.17
Acceptances Guaranteed for Customers and Letters of Credit Outstanding		299,167.35		423,629.42
Other Liabilities		96,257.49		52,095.22
		$32,730,768.63		$41,744,253.04

United States Government and Other Securities carried at $5,205,619.86 on December 30, 1944 and $7,365,704.54 on December 31, 1945 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Anglo-American Financial Arrangements

(Continued from page 149)

derstood. I am hopeful that the various qualifications which have been introduced, the full significance of which cannot be obvious except to experts, may allow in practice a workable compromise between the certainty they wanted and the measure of elasticity we wanted. Negotiations of this character, in which technical requirements and political appeal must both be satisfied, are immensely difficult, and could not have been brought to any conclusion except in an atmosphere of technical collaboration between the two sides, rather than of technical controversy.

No Allowance for Contingencies

I must now turn to the financial terms of the Agreement, and first of all to its amount. In my own judgment, it is cut somewhat too fine, and does not allow a margin for unforeseen contingencies. Nevertheless the sum is substantial. No comparable credit in time of peace has ever been negotiated before. It should make a great and indispensable contribution to the strength of this country, abroad, as well as at home, and to the well-being of our tired and jaded people. After making some allowance for a credit from Canada, and for some minor miscellaneous resources, it represents about as large a cumulative adverse balance as we ought to allow ourselves in the interval before we can get straight. Moreover, it may not prove altogether a bad thing that there should be no sufficient margin to tempt us to relax; for, if we were to relax, we should never reach equilibrium and become fully self-supporting within a reasonable period of time. As it is, the plain fact is that we cannot afford to abate the full energy of our export drive or the strictness of our economy in any activity which involves oversea expenditure. Our task remains as difficult as it is stimulating, and as stimulating as it is difficult. On a balance of considerations, therefore, I think that under this heading we should rest reasonably content.

That the Americans should be anxious not to allow too hot a pace to be set in this, their first major postwar operation of this kind, is readily understandable. The total demands for overseas financial assistance crowding in on the United States Treasury from all quarters whilst I was in Washington were estimated to amount to between four and five times our own maximum proposals. We naturally have only our own requirements in view, but the United States Treasury cannot overlook the possible reaction of what they do for us on the expectations of others. Many members of Congress were seriously concerned about the cumulative consequences of being too easy-going towards a world unanimously clamoring for American aid, and often only with too good reason. I mention such considerations because they are a great deal more obvious when one is in Washington than when one returns here.

Deplores Interest Requirement

On the matter of interest, I shall never so long as I live cease to regret that this is not an interest-free loan. The charging of interest is out of tune with the underlying realities. It is based on a false analogy. The other conditions of the loan indicate clearly that our case has been recognized as being, with all its attendant circumstances, a special one. The Americans might have felt it an advantage, one would have thought, in relation to other transactions to emphasize this special character still further by foregoing interest. The amount of money at stake cannot be important to the United States, and what a difference it would have made to our feelings and to our response! But there it is. On no possible ground can we claim as of right a gesture so unprecedented. A point comes when in a matter of this kind one has to take No for an answer. Nor, I am utterly convinced, was it any lack of generosity of mind or purpose on the part of the American negotiators which led to their final decision. And it is not for a foreigner to weigh up the cross-currents, political forces and general sentiments which determine what is possible and what is impossible in the complex and highly charged atmosphere of that great democracy of which the daily thoughts and urgent individual pre-occupations are so far removed from ours. No one who has breathed that atmosphere for many troubled weeks will underestimate the difficulties of the American statesmen, who are striving to do their practical best for their own country and for the whole world, or the fatal consequences if the Administration were to offer us what Congress would reject.

Interest Tied to Export Volume

During the whole time that I was in Washington, there was not a single Administration measure of the first importance that Congress did not either reject, remodel, or put on one side. Assuming, however, that the principle of charging interest had to be observed, then, in my judgment, almost everything possible has been done to mitigate the burden and to limit the risk of a future dangerous embarrassment. We pay no interest for six years. After that we pay no interest in any year in which our exports have not been restored to a level which may be estimated at about 60% in excess of prewar. I repeat that. We pay no interest in any year in which our exports have not been restored to a level which may be estimated at about 60% in excess of what they were prewar.

Lord Barnby: In volume or value?

Lord Keynes: Volume. That is very important; I should have said so. The maximum payment in any year is £35,000,000, and that does not become payable until our external income, in terms of present prices, is 50 times that amount. Again I repeat, the maximum payment in any year is £35,000,000, and that does not become payable until our external income—that is from exports and shipping and the like—is, in terms of present prices, 50 times that amount. In any year in which our income falls short of this standard, interest is fully and finally waived. Moreover, the instalments of capital repayments are so arranged that we obtain the maximum benefit from this provision in the early years. For at the start the minimum payment to which we have committed ourselves is no more than £13,000,000 a year; that is to say, less than 1% of the external income which we must attain if we are to break even quite apart from the cost of the American loan.

It is relevant, I think, to remind your Lordships that the maximum charge to us in respect to the early years is not much more than half of what is being charged in respect of loans which the United States is making currently to her other Allies, through the Import and Export Bank or otherwise; whilst the minimum charge per cent to which we have been asked to commit ourselves in the early year is only one-fifth of the annual service charge which is being asked from the other Allies. None of those loans is subject to a five-year moratorium. All the other loans which are being made are tied loans limited to payments for specific purchases from the United States. Our loan, on the other hand is a loan of money without strings, free to be expended in any part of the world. That is an arrangement, I may add, which is entirely consistent with the desire of the United States to enable us to return as fully as possible to the conditions of multilateral trade settlements.

Does Not Repeat World War I Errors

Your negotiators can, therefore, in my judgment, fairly claim that the case of last time's war debts has not been repeated. Moreover, this is new money we are dealing with, to pay for postwar supplies for civilian purposes and is not—as was mainly the case on the previous occasion—a consolidation of a war debt. On the contrary, this new loan has been associated with a complete wiping off the slate of any residual obligations from the operation of Lend-Lease. Under the original Lend-Lease Agreement, the President of the United States has been free to ask for future "consideration" of an undetermined character. This uncomfortable and uncertain obligation has been finally removed from us. The satisfactory character of the Lend-Lease settlement has not, I think, received as much emphasis as it deserves. The Secretary of State for India emphasized it in his opening speech yesterday, but it was not, so far as I noticed, taken up in any of the speeches which were made by other noble Lords.

Viscount Simon: I made express reference to it.

Lord Strabolgi: I mentioned it, too.

Unprecedented Liberality

Lord Keynes: I am indeed glad that there is some part of the settlement which has commended itself to those on the Benches on this side of the House. No part of the loan which is applied to this settlement, relates to the cost of Lend-Lease supplies consumed during the war, but is entirely devoted to supplies received by us through the Lend-Lease machinery, but available for our consumption or use after the end of the war. It also covers the American military surplus and is in final discharge of a variety of financial claims, both ways, arising out of the war which fell outside the field of Lend-Lease and reciprocal aid. Is it not putting our claim and legitimate expectations a little too high to regard these proposals, on top of Lend-Lease, as anything but an act of unprecedented liberality? Has any country ever treated another country like this, in time of peace, for the purpose of rebuilding the other's strength and restoring its competitive position? If the Americans have tried to meet criticism at home by making the terms look a little less liberal than they really are, so as to preserve the principle of interest, is it necessary for us to be mistaken? The balm and sweet simplicity of no per cent is not admitted, but we are not asked to pay interest except in conditions where we can reasonably well afford to do so, and the capital instalments are so spread that our minimum obligation in the early years is actually less than it would be with a loan free of in-

BROOKLYN TRUST
COMPANY

MAIN OFFICE:
177 Montague Street
Brooklyn, N. Y.

NEW YORK OFFICE:
26 Broad Street
New York, N. Y.

Condensed Statement of Condition, December 31, 1945

RESOURCES

Cash on Hand and due from Federal Reserve Bank and Other Banks	$ 52,002,083.11
U. S. Government Securities	189,976,038.81
State and Municipal Bonds	8,070,159.29
Other Securities	3,423,091.03
Loans and Bills Purchased	35,896,787.87
Bonds and Mortgages	749,561.88
Bank Buildings	3,000,000.00
Other Real Estate	1,000.00
Other Resources	2,420,247.03
	$295,538,969.02

LIABILITIES

Capital	$ 8,200,000.00
Surplus	5,400,000.00
Undivided Profits	1,592,639.77
Reserve for Contingencies	647,355.86
Dividend payable Jan. 2. 1946	246,000.00
Deposits	278,403,262.06
Reserve for Taxes, Expenses, etc.	1,049,711.33
	$295,538,969.02

United States Government and State and Municipal bonds carried at $77,110 297 63 are pledged to secure public deposits and or other purposes, as required by law.

One of the Oldest Trust Companies in the United States

MEMBER NEW YORK CLEARING HOUSE ASSOCIATION
MEMBER FEDERAL RESERVE SYSTEM AND FEDERAL DEPOSIT INSURANCE CORPORATION

KINGS COUNTY TRUST
COMPANY

BOROUGH OF BROOKLYN
342, 344 and 346 FULTON STREET

Capital	$ 500,000.00
Surplus	$7,000,000.00
Undivided Profits	$ 672,000.00

OFFICERS

WILLIAM J. WASON, Jr., President
CHESTER A. ALLEN, Vice-Pres.
CARL J. MEHLDAU, Vice-Pres.
ALBERT I. TABOR, Secretary
WILLIAM N. BOYLE, Asst. Sec'y
RICHARD C. CUMBERS, Asst. Sec'y
LEONARD D. O'BRIEN, Asst. Sec'y
WILLIAM TUNIS, Comptroller

STATEMENT

at the close of business December 31, 1945

RESOURCES

Cash on Hand	$ 2,775,123.42
Cash in Banks	21,221,505.00
U. S. Government Bonds	31,071,970.62
N. Y. State and City Bonds	4,879,206.25
Other Bonds	6,460,677.77
Stocks	845,055.70
Bonds and Mortgages	1,328,603.87
Loans on Collateral, Demand and Time	428,219.25
Bills Purchased	309,927.23
Real Estate	712,437.50
Other Assets	359,279.20
	$70,392,005.81

LIABILITIES

Capital	$ 500,000.00
Surplus	7,000,000.00
Undivided Profits	672,514.28
Due Depositors	61,136,554.82
Checks Certified	11,911.47
Unearned Discount	1,748.60
Reserves for Taxes, Expenses and Contingencies	950,747.41
Official Checks Outstanding	118,529.23
	$70,392,005.81

KINGS COUNTY TRUST COMPANY

The Kings County Trust Company offers to its depositors every facility and accommodation known to modern banking. If you are not already availing yourself of the advantages offered by this institution, the Kings County Trust Company will be glad to have you open an account.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

terest repayable by equal instalments.

Mutual Advantage Stressed

I began by saying that the American negotiators had laid stress on future mutual advantage rather than on past history. But let no one suppose that such a settlement could have been conceivably made except by those who had measured and valued what this country has endured and accomplished. I have heard the suggestion made that we should have recourse to a commercial loan without strings. I wonder if those who put this forward have any knowledge of the facts. The body which makes such loans on the most favorable terms is the Export-Import Bank. Most of the European Allies are, in fact borrowing, or trying to borrow, from this institution. The most favorable terms sometimes allowed as, for instance, in the case of France, for the purpose of clearing up what she obtained through the Lend-Lease machinery, are 2⅜% with repayment over 30 years, beginning next year; that is to say, an annual debt of 5⅝% so that an amount equal to 34% of the loan will have been paid by France during the six years before we have begun to pay anything at all. The normal commercial terms in the Export-Import Bank are, however, 3% repayable over 20 years commencing at once, so that payments equal to 48% of the loan would have been paid during the first six years in which we pay nothing. Moreover, the resources of this institution are limited and our reasonable share of them could not have exceeded one-quarter or one-fifth of what we are actually getting. Nor are they without strings. They are tied to specific American purchases and not like ours, available for use in any part of the world.

Loan Conditions

What about the conditions associated with the loans? The noble and learned Viscount, Lord Simon, as have also several other critics laid stress on our having agreed to release the current earnings of the sterling area after the spring of 1947. I wonder how much we are giving away there. It does not relate to the balances accumulated before the spring of 1947. We are left quite free to settle this to the best of our ability. What we undertake to do is not to restrict the use of balances we have not yet got and have not yet been entrusted to us. It will be very satisfactory if we can maintain the voluntary wartime system into 1947. But what hope is there of the countries concerned continuing such an arrangement much longer than that? Indeed, the danger is that these countries which have a dollar or gold surplus, such an India, and South Africa, would prefer to make their own arrangements, leaving us with a dollar pool which is a deficit pool, responsible for the dollar expenditure not only of ourselves but of the other members of the area having a dollar deficit.

A Crazy Idea

This arrangement is only of secondary use to us, save in the exceptional wartime conditions when those countries were, very abnormally, in a position to lend to us. We cannot force these countries to buy only from us, especially when we are physically unable to supply a large quantity of what they require. It seems to me a crazy idea that we can go on living after 1947 by borrowing on completely vague terms from India and the Crown Colonies. They will be wanting us to repay them. Two-thirds of what we owe to the sterling area is owed to India, Palestine, Egypt and Eire. Is it really wise to base our financial policy on the loyalty and goodwill of those countries to lend us money and leave out of our arrangements Canada and the United States? And Canada, let me add, is not less insistent than the United States—if anything she is more insistent—on our liberating the current earnings of the sterling area.

I hope I shall convince the noble and learned Viscount, for I have not yet finished. This was, anyhow, a condition very difficult to resist, for the main purpose of a loan of this magnitude was for the precise object of liberating the future earnings of the sterling area, not for repaying their past accumulations. Some have been misled by the fact that that has been expressly emphasized. Our direct adverse balance with the United States is not likely to exceed during the period more than about half the loan. The rest of our adverse balance is with the rest of the world.

Viscount Simon: The noble Lord speaks of a proposal difficult to resist. May we be informed if the experts did their best to resist it?

Terms Were Resisted

Lord Keynes: They did their best to resist so early a date but I am giving the reasons why, in being forced to surrender, the magnitude of our surrender was not so very great. I have explained so far that it would be very difficult in any circumstances to carry on the arrangements beyond that for the reasons I have explained, and I am now passing to what was, I feel, a vulnerable part of our case. That was, that the precise object of having so large a loan was to make these very arrangements practicable. About half of it would be a direct adverse balance with the United States. The rest of the adverse balance is with the rest of the world, mainly the sterling area. Canada will be dealt with separately. The very object of the other half of the loan is, therefore, to provide us with dollars mainly for the sterling area. We are given not only the condition but also the means to satisfy it. I am afraid it would take more than my forensic powers to maintain that position in its most absolute form against an argument so powerful as that, if the Americans should say: "You are going to borrow all this money by impounding the earnings of the sterling area. What is the necessity for so large a loan? The calculations have been based on the contention that we have to meet the major part of your adverse balance." But that is not the end. I do not think we need repine too much.

The way to remain an international banker is to allow checks to be drawn upon you; the way to destroy the sterling area is to prey on it and to try to live on it. The way to retain it is to restore its privileges and opportunities as soon as possible to what they were before the war. It would have been more comfortable to know that we could have a little more than 15 months to handle the situation, but, nevertheless, the underlying situation is as I have described. I do not regard this particular condition as a serious blot on the loan, although I agree with the noble and learned Viscount that I would have preferred it less precise, as I would have preferred many other points to be less precise. Such a view can only be based on a complete misapprehension of the realities of the position, for apart from the question of debt, do the critics really grasp the nature of the alternative? The alternative is to build up a separate economic **bloc** which excludes Canada and consists of countries to which we already owe more than we can pay, on the basis of their agreeing to lend us money they have not got and buy only from us and one another goods we are unable to supply. Frankly this is not such a caricature of these proposals as it may sound at first.

Attitude Toward Commercial Policy

In conclusion, I must turn briefly to what is, in the long run, of major importance — namely, the blue-prints for long-term commercial and currency policy, although I fear I must not enlarge on that. In working out the Commercial Policy Paper, to which, of course, this country is not committed, unless a considerable part of the world is prepared to come into it and not merely the United States, and in the Final Act of Bretton Woods, I believe that your representatives have been successful in maintaining the principles and objects which are best suited to the predicaments of this country. The plans do not wander from the international terrain and they are consistent with widely different conceptions of domestic policy. Proposals which the authors hope to see accepted both by the United States of America and by Soviet Russia must clearly conform to this condition. It is not true, for example, to say that State trading and bulk purchasing are interfered with. Nor is it true to say that the planning of the volume of our exports and imports, so as to preserve equilibrium in the international balance of payments, is prejudiced. Exactly the contrary is the case. Both the currency and the commercial proposals are devised to favor the maintenance of equilibrium by expressly permitting various protective devices when they are required to maintain equilibrium and by forbidding them when they are not so required. They are of the utmost importance in our relationship with the United States and, indeed, the outstanding characteristic of the plans is that they represent the first elaborate and comprehensive attempt to combine the advantages of freedom of commerce with safeguards against the disastrous consequences of a *laissez-faire* system which pays no direct regard to the preservation of equilibrium and merely relies on the eventual working out of blind forces.

Implements Wisdom of Adam Smith

Here is an attempt to use what we have learnt from modern experience and modern analysis, not to defeat, but to implement the wisdom of Adam Smith. It is a unique accomplishment, I venture to say, in the field of international discussion to have proceeded so far by common agreement along a newly-trod path, not yet pioneered, I agree, to a definite final destination, but a newly-trod path which points the right way. We are attempting a great step forward towards the goal of international economic order amidst national diversities of policies. It is not easy to have patience with those who pretend that some of us, who were very early in the field to attack and denounce the false premises and false conclusions of unrestricted **laissez-faire** and its particular manifestations in the former gold standard and

(Continued on page 152)

FIDELITY-PHILADELPHIA TRUST COMPANY

Organized 1866

Statement of Condition, December 31, 1945

ASSETS		
Cash on Hand and due from Banks		$ 47,645,326.58
Loans		48,289,884.75
Investments:		
U. S. Government Securities		114,226,976.00
State, County and Municipal Securities		4,122,736.10
Other Investments		10,641,267.77
Investment in Fidelity Building Corporation		3,085,730.21
Mortgages		2,188,777.36
Real Estate Owned		302,027.95
Vaults, Furniture and Fixtures		958,807.37
Accrued Interest Receivable		704,063.46
Prepaid Taxes and Expenses		187,195.71
Other Assets		31,319.60
		$232,384,112.86
LIABILITIES		
Capital		$ 6,700,000.00
Surplus		13,000,000.00
Undivided Profits		3,914,001.17
Reserve for Contingencies, etc.		1,284,826.19
Reserve for Interest, Taxes, etc.		662,583.11
Other Liabilities		199,220.64
Deposits:		
United States Treasury	47,332,018.38	
Other Deposits	159,291,463.37	206,623,481.75
		$232,384,112.86

United States Government obligations and other securities carried in the above statement are pledged to secure Government, State and Municipal deposits, Clearing House Exchanges, and for fiduciary purposes as required by law in the sum of $64,902,423.84.

MARSHALL S. MORGAN, *President*
KENNETH G. LE FEVRE, *Vice-President and Treasurer*

135 South Broad Street, Philadelphia 9
MEMBER FEDERAL RESERVE SYSTEM
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

MEMBER OF FEDERAL RESERVE SYSTEM
MEMBER OF NEW YORK CLEARING HOUSE ASSOCIATION
1870

The CONTINENTAL BANK & TRUST COMPANY *of* NEW YORK

STATEMENT OF CONDITION
Close of Business December 31, 1945

RESOURCES		
Cash and Due from Banks		$54,687,596.68
U. S. Government Obligations		72,858,181.31
Municipal Bonds		17,404,062.58
Corporate Bonds		4,416,126.14
Federal Reserve Bank Stock		300,000.00
Loans and Discounts		68,115,230.00
Accrued Interest Receivable		471,406.11
Customers' Liability Under Acceptances Outstanding		342,910.40
Other Assets		84,758.76
		$218,680,271.98
LIABILITIES		
Capital Stock	$5,000,000.00	
Surplus Fund	5,000,000.00	
Undivided Profits	1,336,025.24	$11,336,025.24
General Reserves		528,649.56
Reserve for Taxes, Interest and Expenses		1,063,696.67
Dividend Payable January 1, 1946		100,000.00
Other Liabilities		513,676.12
Acceptances:		
Outstanding	2,248,652.08	
Less Amount in Portfolio	1,875,711.01	372,941.07
Deposits		204,765,283.32
		$218,680,271.98

Securities carried at $41,798,951.18 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, including $39,221,706.92 of United States Government War Loan Deposits, and for other purposes.

MAIN OFFICE: 30 BROAD STREET, NEW YORK
Branch Offices: 345 MADISON AVENUE • 512 SEVENTH AVENUE
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Anglo-American Financial Arrangements

(Continued from page 151)

other currency and commercial doctrines which mistake private license for public liberty, are now spending their later years in the service of the State to walk backwards and resurrect and re-erect the idols which they had played some part in throwing out of the market place. Not so. Fresh tasks now invite. Opinions have been successfully changed. The work of destruction has been accomplished, and the site has been cleared for a new structure.

Method of Repaying United States

Questions have been raised—and rightly and reasonably raised—about the willingness of the United States to receive repayment hereafter. This is a large subject to which I have given a great deal of thought, but I shall not have time to develop it fully today. I am not, as a result, quite so worried as most people. Indeed, if in the next five or 10 years the dollar turns out to be a scarce currency, seldom will so many people have been right. It is a very technical matter, very emphatically within their past experience, but not so easily the subject of future prediction. I am afraid I must content myself with a few headlines. First, it is not a question of our having to pay the United States by direct exports; we could never do that. Our exports are not, and are not likely to be as large as our direct imports from the United States. The object of the multilateral system is to enable us to pay the United States by exporting to any part of the world and it is partly for that very reason that the Americans have felt the multilateral system was the only sound basis for any arrangement of this kind. Secondly, all the most responsible people in the United States, and particularly in the State Department and in the Treasury, have entirely departed from the high tariff, export subsidy conception of things and will do their utmost with, they believe, the support of public opinion in the opposite direction. That is why this international trade convention presents us with such a tremendous opportunity. For the first time in modern history the United States is going to exert its full, powerful influence in the direction of reduction of tariffs, not only of itself but by all others.

A World Problem

Thirdly, this is a problem of which today every economist and publicist in the United States is acutely conscious. Books on economics are scarcely written about anything else. They would regard it as their fault and not ours if they fail to solve it. They would acquit us of blame—quite different from the atmosphere of 10 or 20 years ago. They will consider it their business to find a way out. Fourthly, if the problem does arise, it will be a problem, for reasons I have just mentioned, of the United States **vis-a-vis** the rest of the world and not us in particular. It will be the problem of the United States and the whole commercial and financial arrangement of every other country. Fifthly—and perhaps this is the consideration which is least prominent in people's minds—the United States is rapidly becoming a high-living and a high-cost country. Their wages are two and a half times ours. These are the historic, classical methods by which in the long run international equilibrium will be restored.

In Britain's Interest

Therefore, much of these policies seem to me to be in the prime interest of our country, little though we may like some parts of them. They are calculated to help us regain a full measure of prosperity and prestige in the world's commerce. They aim, above all, at the restoration of multilateral trade which is a system upon which British commerce essentially depends. You can draw your supplies from any source that suits you and sell your goods in any market where they can be sold to advantage. The bias of the policies before you is against bilateral barter and every kind of discriminatory practice. The separate economic **blocs** and all the friction and loss of friendship they must bring with them are expedients to which one may be driven in a hostile world, where trade has ceased over wide areas to be cooperative and peaceful and where are forgotten the healthy rules of mutual advantage and equal treatment. But it is surely crazy to prefer that. Above all, this determinatoin to make trade truly international and to avoid the establishment of economic **blocs** which limit and restrict commercial intercourse outside them, is plainly an essential condition of the world's best hope, an Anglo-American understanding, which brings us and others together in international institutions which may be in the long run the first step towards something more comprehensive. Some of us, in the tasks of war and more lately in those of peace, have learnt by experience that our two countries can work together. Yet it would be only too easy for us to walk apart. I beg those who look askance at these plans to ponder deeply and responsibly where it is they think they want to go.

Edward Herlihy & Co. Resumes in Boston

BOSTON, MASS.—Edward Herlihy has resumed the investment business of Edward Herlihy & Co., from offices at 53 State Street. For the past three years he has been serving in the U. S. Army Air Forces.

Myler Plastics Appoints E. J. Ade

The appointment of E. J. Ade as Director of Sales and Public Relations of the Myler Plastics Corporation was announced on Jan. 5 by E. W. Myler, President. Mr. Ade, recently discharged from the Service, served as Executive Director of the Victory Loan for Greater New York. While in the Army he was appointed Executive Assistant to the Admissions Officer of the United Nations Conference at San Francisco. He was formerly associated with the John Price Jones Corporation, Public Relations Consultants.

E. J. Ade

Electronic Corp. Stocks Publicly Offered

A public offering of 100,000 50-cent par common shares and 70,000 55-cent cumulative convertible $1 par preferred stock of Electronic Corp. of America was made Jan. 7 at prices of $5 and $10 per share, respectively.

The 70,000 preferred shares and 50,000 shares of the common stock were offered for the account of the company, while 50,000 common shares are for the account of stockholders.

It was announced Jan. 8 that the offering has been over-subscribed and the subscription books closed.

The offering was made by a syndicate composed of First Colony Corp.; Hirsch & Co.; Simons, Linburn & Co.; Childs, Jeffries & Thorndike, Inc.; Coburn & Middlebrook; Grubbs, Scott & Co., and Irving J. Rice & Co.

Proceeds received by the company will be used for the payment of bank loans, financing the moving of the company's plant to a new location, and general working capital.

C. S. Jeffrey Co.

BOSTON, MASS.—Charles S. Jeffrey, Proprietor of R. W. Cornell & Co., has formed C. S. Jeffrey Co. with offices at 79 Milk Street to continue his investment business. Mr. Jeffrey is President and Treasurer of the new firm.

Truman Discusses Reconversion Delays

(Continued from page 148)

and on the farms. The greatest number of homes constructed in any one year before the war was less than a million. It is clear therefore that this is an emergency problem which calls for an emergency method of solution.

We must utilize the same imagination, the same determination that back in 1941 enabled us to raise our sights to overcome the Nazi and Japanese military might. With that imagination and determination we can mobilize our resources here at home to produce the housing we require.

Because of the critical need I have appointed an emergency housing expediter. He will be empowered to use every agency of the government and every resource of the government to break the bottlenecks and to produce the materials for housing. The government is determined to give private enterprise every encouragement and assistance to see that the houses are produced—and produced fast. Where private enterprise is unable to provide the necessary housing, it becomes the responsibility of the government to do so. But it is primarily a job for private enterprise to do—a job which is a challenge as stimulating as any goal we set during the war.

The members of the Congress are now at home. During this period they will have the benefit of close contact with you—the people whom they serve.

From personal experience, I know that contact with the people back home helps every public servant. I urge you to tell your public servants your own views concerning the grave problems facing our country. In a free country the voice of the people must be heard.

I fully appreciate the many problems which Congressmen face. They have done a great war-time job under most trying conditions. The complicated return to peace time has increased their difficulties.

I seek no conflict with the Congress. I earnestly desire co-operation with the Congress. Orderly procedure in the Congress is indispensable to the democratic process. But orderly procedure does not mean needless delay.

Stable world relationships require full production and full employment in the United States.

There are voices of defeat, dismay, timidity among us who say we cannot do it. These I challenge. They will not guide us to success, these men of little faith.

We cannot shirk leadership in the post-war world. The problems of our economy will not be solved by timid men, mistrustful of each other. We cannot face 1946 in a spirit of drift or irresolution.

The men and women who made this country great and kept it free were plain people with courage and faith.

Let us justify this heritage.

Thornton, Mohr & Co. Formed in Montgomery

MONTGOMERY, ALA.—Thornton, Mohr & Co., has been formed with offices in the First National Bank Building, as successors to King, Mohr & Co. Principals of the firm are J. Mills Thornton and Sidney J. Mohr, Jr. Mr. Thornton operated a municipal business under his own name from 1921 to 1942 at which time he became vice-president of the First National Bank of Montgomery in charge of the Bond Department. Mr. Mohr was a partner in King, Mohr & Co., from 1935 to 1942 at which time he entered military service. His firm was re-established in March of 1945.

CONDENSED STATEMENT

FIRST NATIONAL BANK

IN ST. LOUIS

At the Close of Business, December 31, 1945

RESOURCES

Cash and Due from Banks	$109,603,260.27
U. S. Government Securities	290,194,434.89
Loans and Discounts	111,652,346.55
Other Bonds and Stocks	7,273,423.76
Stock in Federal Reserve Bank	522,000.00
Banking House, Improvements, Furniture and Fixtures	353,903.30
Other Real Estate Owned	977,002.00
Customers' Liability a/c Letters of Credit, Acceptances, etc.	2,135,297.35
Accrued Interest Receivable	1,326,350.83
Overdrafts	49,573.80
Other Resources	4,227.39
	$524,091,820.14

LIABILITIES

Capital Stock		$ 10,200,000.00
Surplus		7,200,000.00
Undivided Profits		7,168,416.90
Reserve for Contingencies		500,000.00
Dividend Declared Payable February 28, 1946		240,000.00
Reserve for Taxes, Interest, etc.		1,593,257.38
Unearned Discount		145,115.93
Liability a/c Letters of Credit, Acceptances, etc.		2,135,297.35
Other Liabilities		395,025.23
Demand Deposits	$335,956,963.80	
Time Deposits	52,915,626.23	
U. S. Government Deposits	105,642,117.32	
Total Deposits		494,514,707.35
		$524,091,820.14

NATIONAL BANK 1st IN ST. LOUIS

Broadway • Locust • Olive

Member Federal Deposit Insurance Corporation

The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement as of December 31, 1945

RESOURCES

Cash and Due from Banks	$ 60,994,912.70
United States Bonds	133,533,580.43
Other Bonds and Securities	17,822,118.73
*Loans and Discounts	63,661,689.56
Federal Reserve Stock	360,000.00
Banking Premises Occupied	3,846,074.52
Customers' Liability Under Acceptances	24,235.83
Other Resources	691,984.55
TOTAL	$280,934,596.32

LIABILITIES

Capital Stock	$6,000,000.00	
Surplus	6,000,000.00	
Undivided Profits	2,028,572.41	
Total Capital Funds		$ 14,028,572.41
General Reserve		2,823,123.48
Reserve for Dividends Payable		90,000.00
Reserve for Taxes		1,193,161.82
Reserve for Interest, etc.		138,805.31
Liability Under Acceptances		24,235.83
DEPOSITS:		
**Commercial, Bank and Savings		209,818,296.88
U. S. Government		52,638,806.44
Other Liabilities		179,594.15
TOTAL		$280,934,596.32

**In addition to the loans and discounts as shown we have unused loan commitments outstanding in the amount of $8,056,238.00.*

***This includes $3,356,680.14 of trust moneys on deposit in the Banking Department, which under the provisions of the banking law Section 710-165 of the State of Ohio is a preferred claim against the assets of the bank.*

Member Federal Deposit Insurance Corporation
Member Federal Reserve System

America for All Americans

(Continued from page 127)

ful that there is room for millions more who would not be hungry or overcrowded. But many Americans have not yet settled down to the task ahead now that the war has been won.

Soldiers back from victory are unable to find homes. Good jobs are hard to find. Some men and women in America are denied opportunities because they are black, or because they were not born here, or because they belong to a church with a small membership. There are demagogues here seeking to convince the ignorant that there is a pure race in America—that all other races must be kept subservient to a mythical master race.

But we are not cast down. Our soldiers and sailors won battles which could not be won. They built landing fields with incredible speed thousands of miles from America. They turned rocky coasts into safe havens for Allied ships. Beginning in 1941 survey parties explored the possibility of an India-China Highway, which was needed to help win the war. The experts agreed that it was an impossible undertaking. But sons of American pioneers, white and black, Christian and Jew, hacked their way through jungles, over successive ranges of jumbled mountains, through fever laden swamps; fought tigers, headhunters, and Japanese soldiers, and built the Ledo Road. Nothing except defeat was impossible for our fighting men. Neither was any problem too difficult for those who won the battle of production here at home. Americans, many of whom traveled 20 or more miles daily to and from their jobs, built 2½ million army trucks, 600,000 airplanes, 90,000 tanks, 4½ million machine guns, and 12 million rifles during the war. Every American had a stake in the war, and every American must share in the victory.

The people of the United States, soldiers and civilians, who have met the terrible challenges of this war, will not believe that any constructive peacetime task cannot be accomplished. They are ready and anxious to get the job done on the St. Lawrence Waterway, the Missouri Valley Authority, and a real Full Employyment Bill. They believe in world peace and hold those treasonable who say: "We must fight Russia"; or some other country. The people of the United States wish to promote peace by international control of the atomic bomb, and promote an age of abundance by speeding the use of atomic energy, under strict governmental control. For we are against private armies, private arsenals, and unregulated private use of atomic materials. We can play our part in a new era, in which the energy of the atom will work, not for man's destruction, but for his great good.

The people of our country who performed wartime miracles know that we can provide housing, that we can save our rich soil from erosion, that we can live up to the great opportunities, beyond all dreaming, of the atomic age, that Protestants, Catholics, and Jews, native-born negroes and whites, and all of the foreign born can deal justly, one with another, and live together in peace.

We have made a start, but we have not gone ahead fast enough, or far enough. We have yet to achieve full employment at an annual wage. We have only scratched the surface on housing. In many towns there are decent homes entirely surrounded by indecent slums. Let the Ida B. Wells Homes in Chicago and the Sojourner Truth Homes in Detroit serve as an example for the rest of the country that good housing and good citizenship go together.

A nation's wealth begins with the land. The battle to save the land has only started. Soil erosion has been stopped on thousands of farms, but we must save the precious top soil all over America. Whoever allows his land to deteriorate commits a crime against his children and against his country. When we save the land we save the people on the land and safeguard the economy of the nation.

Every farmer hopes to own his own farm. In Missouri an eroded plantation was sold on credit to 100 sharecropper families — 50 white families and 50 Negro families. Their average net worth was $24. They were given nothing except an opportunity to thrive in a free America. Today—a few years later—most of these families have a net worth of over $2,000, they have husbanded the soil, payments on their farms are not in default, and the United States Government will make money on the deal. In Alabama, farms have been sold through the Farm Security Administration to 1,058 Negro families. They are increasing their worth at the rate of $500 a year. This is only a beginning. More farmers should and must be given opportunities to buy farms at fair prices, and on terms which they can meet.

Every citizen cherishes his right to vote, and no poll tax or other artificial barrier must stand in the way of that freedom. A man's rights are not dependent upon the color of his skin, his birthplace or the name of his church.

Job-seeking Negroes have been, and are being, denied jobs because they are Negroes. Not only is this unfair, but it is damaging to the nation's business. We needed a Fair Employment Practice Committee in the United States and such a committee was set up by President Franklin D. Roosevelt. This Committee has been used in hundreds of cities. The Fair Employment Practice Committee should be, and must be, made permanent. There cannot be full employment without fair employment. The fight against planners of World War III is on. The battle against bigotry, oppression, and greed is our battle. It will not be won until all of the people of America are given an opporounity to secure education, proper food, and medical care, until they are well housed, until our sons' farms are more fertile than their fathers', until race riots are ugly legends of a distant past, until every man who wants a job can get a job and a chance to advance in the world. It is our privilege, and our duty, to see that every man and woman in this country is treated as a human being, who can proudly say "I am an American. I am also a Jew, or I am a Negro, or I am a Catholic. I am more than any of those things. I am a free American living in a free world."

"Violence shall no more be heard in thy land, wasting nor destruction within thy borders; but thou shalt call thy walls Salvation and thy gates, Praise. Thy sun shall no more go down; neither shall thy moon withdraw itself; for the Lord shall be thine everlasting light, and the days of thy mourning shall be ended. Thy people also shall be all righteous. They shall inherit the land forever."

CONTINENTAL ILLINOIS
NATIONAL BANK
AND TRUST COMPANY
OF CHICAGO

Statement of Condition, December 31, 1945

RESOURCES

Cash and Due from Banks	$ 532,083,248.34
United States Government Obligations	1,821,033,424.67
Other Bonds and Securities	52,615,154.15
Loans and Discounts	398,352,051.06
Stock in Federal Reserve Bank	3,600,000.00
Customers' Liability on Acceptances	1,209,747.35
Income Accrued but Not Collected	7,269,446.67
Banking House	10,800,000.00
	$2,826,963,072.24

LIABILITIES

Deposits	$2,646,721,523.86
Acceptances	1,251,371.35
Reserve for Taxes, Interest, and Expenses	13,207,331.03
Reserve for Contingencies	18,105,515.74
Income Collected but Not Earned	205,913.09
Capital Stock	60,000,000.00
Surplus	60,000,000.00
Undivided Profits	27,471,417.17
	$2,826,963,072.24

United States Government obligations and other securities carried at $725,513,549.99 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Member Federal Deposit Insurance Corporation

NSTA Notes

(Continued from page 135)

Memphis Security Dealers Club: Fritz Schas, Bullington-Schas & Co.

New Orleans Security Traders Association: Joseph H. Weil, Weil & Arnold.

Security Traders Association of New York, N. Y.: T. G. Horsfield, Wm. J. Mericka & Company, Inc.

Investment Traders Association of Philadelphia: Samuel K. Phillips, Jr., S. K. Phillips & Co.

Bond Traders Club of Portland, Ore.: Edward E. Gutherless, Blyth & Company, Inc.

Security Traders Club of St. Louis: Wm. F. Dowdall, Wm. F. Dowdall & Co.

San Francisco Bond Traders Association: Tony Bottari, Sutro & Company.

Bond Traders Club of Seattle, Wash.: J. E. Jones, Hartley Rogers & Co.

Twin Cities Bond Traders Club: Kermit Sorum, Allison-Williams Co.

CINCINNATI STOCK AND BOND CLUB

Harry V. Vonderhaar, Westheimer & Co. was elected President of the Cincinnati Stock and Bond Club at a meeting of the Board of Trustees to succeed Clair S. Hall, Clair S. Hall & Co. Other officers elected were: Franklin O. Loveland, Field, Richards & Co., First Vice-President; Frederic Latcha, George Eustis & Co., Second Vice President; George Phillips, Gradison & Co., Secretary; Joseph Vasey, H. B. Cohle & Co., Treasurer.

Harry Vonderhaar

Harris Trust and Savings Bank

Organized as N. W. Harris & Co. 1882—Incorporated 1907
HARRIS TRUST BUILDING, CHICAGO

Statement of Condition
December 31, 1945

Resources

Cash on Hand and Due from Banks	$153,504,384.44
U. S. Treasury Bills and Certificates	78,620,378.39
U. S. Government Bonds and Notes	134,090,271.66
State and Municipal Securities	31,652,403.77
Other Bonds and Securities	48,229,774.15
Loans and Discounts	134,662,096.41
Federal Reserve Bank Stock	600,000.00
Customers' Liability on Acceptances and Letters of Credit	999,624.10
Accrued Interest and Other Resources	2,259,654.71
Total	$584,618,587.63

Liabilities

Capital	$ 8,000,000.00	
Surplus	12,000,000.00	
Undivided Profits	2,373,976.69	$ 22,373,976.69
Reserves for Contingencies, Taxes, Interest, Etc.		11,238,650.70
Acceptances and Letters of Credit		999,624.10
Demand Deposits	$516,661,417.03	
Time Deposits	33,344,919.11	550,006,336.14
Total		$584,618,587.63

$142,910,800 of United States Government obligations and $300,000 of State and Municipal Securities are pledged to secure $122,640,437.98 of United States Government Deposits and $18,177,925.21 of Trust Deposits, and to qualify for fiduciary powers.

Member of Federal Deposit Insurance Corporation

Buy Victory Bonds

Canadian Securities

By BRUCE WILLIAMS

The evolution of the Dominion of Canada proceeds in a thoroughly healthy democratic fashion. The Dominion Government made its own proposals at the Dominion/Provincial Conference which is due to reconvene on Jan. 28, and now the Province of Ontario responds with an alternative scheme which, in view of its strong stand on provincial autonomy, will find warm support among the other provinces.

Far from indicating a possibility of a breakdown of the forthcoming session, the reaction of the Dominion Government and the counter measures previously proposed by Manitoba, British Columbia and Alberta, point towards an ultimate agreement more closely approaching unanimity.

Briefly stated, the Ontario Government opposes the Dominion Government's proposals that the Provinces vacate the income, corporation and succession tax fields in return for fixed subsidies from the Federal Government. Alternatively, the following submissions are made:

(a) That the Provinces share with the Dominion the personal income and corporation tax fields; and have sole authority to impose succession duties and other taxes.

(b) That the Provinces adopt uniform income-tax policies patterned on that of the Dominion Government. Each Province and the Dominion to fix individual rates but only one form to be used for both Dominion and Provincial returns. To remove the long-standing complaint of the other Provinces that Ontario and Quebec, as the home of the majority of corporation head offices, benefit unduly from the business done in other provinces, it is suggested that corporation taxes be allocated on the basis of business effected in each Province.

(c) A National Adjustment Fund to be created by which the wealthy Provinces would contribute towards the maintenance of an equitable "national minimum" of social services in the smaller Provinces.

(d) The appointment of a permanent Dominion/Provincial Coordinating Committee composed of Dominion and Provincial Premiers for the adjustment of intergovernmental difficulties.

(e) The establishment of a Dominion/Provincial Economic Board of experts to examine the economic problems of the entire country.

(f) Subject to the advice of the Coordinating Committee and the Economic Board the decision as to assumption of public works to remain with the Provinces.

(g) Provinces to be consulted in broad detail of welfare legislation of the Federal Government.

(h) The Dominion Government to provide U. S. exchange for the service of Provincial and Municipal external debt.

So far the Quebec Government has not committed itself on the Federal proposals but Premier Duplessis has indicated that his Government is opposed to any lessening of the Provincial autonomy. Nova Scotia, New Brunswick and Prince Edward Island have issued no formal submissions, but have expressed willingness to accept the Federal tax proposals provided that the subsidies are sufficiently high.

Thus this important landmark in the development of Canada is reached with all sections of the country alive to its importance, ready to cooperate to evolve a national plan to the mutual benefit, but not prepared to submit supinely to central governmental dictation.

Turning to the market for the past week it emerged more clearly than ever that previous anticipation of strength in the bank-eligible section of the list has been fully justified. High grades, and Nationals in particular, within the 10-year range moved strongly to all-time highs. Saskatchewans and Montreals displayed little animation, and Albertas were inclined to sag following their over-rapid rise since the consummation of the debt reorganization plan. C.P.R. perpetual 4's made a spectacular advance to 112.

Internals were strongly in demand and free funds were in scant supply at 9⅛%. The Government bond market in Canada was unprecedently active with sweeping price rises throughout the list.

With regard to future prospects, the general incidence of the low interest rate trend can lead to still higher prices in the external section, and the belated resurgence of the Government bond market in Canada is likely to attract increased attention to the internal high-grades.

1945 CLOSING
CANADIAN
BOND
QUOTATIONS

Inquiries invited with respect to year end valuations of Canadian bonds. Copies of a pamphlet containing 350 quotations are available to banks, insurance companies and other institutions upon request.

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CANADIAN
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Government *Municipal*
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Canada's International
Trade Position

Our new eight-page brochure gives a 50-year analysis of Canada's international trade and shows the importance of exports in the country's economy.

It also contains a summary of Dominion Government financing since the war, including the amount and distribution of debt at December 31, 1945.

A copy of this brochure will be furnished upon request.

Wood, Gundy & Company
Incorporated
14 Wall Street, New York 5
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Holds Chief Reconversion Problem Is Restoration of Free Economy

(Continued from page 131)

efficiently. Lacking these incentives, coming only from profits, a nation will stagnate and the existing economic machine will stall.

"Capital is like a laborer in that it will not live and work unless it is paid ('profits'). There is a 'living wage for capital' just as there is for labor. The necessary level of this living wage for capital is determined by two factors: (1) interest or its equivalent, and (2) a risk or inducement charge. No one will put money into a business venture, managed either by himself or by someone else, without the prospect of an interest-equivalent return; that is why the interest portion is there. Neither will anyone chance losing his investment in a business venture unless there is some extra reward for the hazard involved; that is why the risk or inducement charge is there.

"Unless there is some profit, people will either live up all their current incomes or put the money in their socks rather than to hazard it in business ventures. If Uncle Samuel or some other benevolent gentleman assumes the risk, the equivalent of profit is still there and has merely been moved so that all of us or someone else bears it; its existence and cost are not changed—in fact, its cost will increase because we become careless about success when failure belongs to someone else.

"These are the reasons for the existence of profits, and the reasons why they are the lifeblood of a free people operating in free enterprise. That is the important reason why this country has had such phenomenal economic growth, which resulted from the productivity of free enterprise operating under the incentive and guidance of profits. Profits measure success or failure with equal justice to all. Without that measure, people would have no way to appraise their own efforts, and those efforts would become unproductive.

"Much of this discussion has been in terms of profits as a unit, or as an average. That is not, however, what makes the economic mare go. What counts is **individual** profits, and therefore it requires freedom of **individual** profits to vary. There can be no such thing as freedom and justice of **average** profits; profits are an individual rather than a collective matter, and as such cannot be dealt with collectively. Average profits are a product of the statistician's activities, not of the accountant's. Business firms do not prosper or go broke on average profits—they prosper or go broke on their **own.** This pins down another error which the OPA has built into its reconversion pricing plan—the 'industry average' of profits as a guide to controls. A free market does not make this error.

"Profits must be free—free to exist and free to differ between the efficient and the inefficient. They must be free to vary from year to year, with ceilings high enough for the good years so as to make up for the losses in poor years. Freedom for competitive enterprise will take care of greed while retaining the proper reward for efficiency and initiative."

Importance of Price Freedom

Prof. Harper is firm and direct in his advocacy of free prices, which he calls "the heart of a free economy."

"A free economy," Prof. Harper says, "cannot exist without free prices. Any statements or inferences to the contrary are delusive. Actions based on any other assumptions are either pitfalls or baited traps. Free prices are so much at the heart of a free economy as to be almost another name for the same thing. Prices are the forms of expression of all economic decisions, and free decisions have no other means of expression than through free prices."

Continuing along this line, he comments:

"Prices in our economic affairs are the counterparts of the decisions of juries. A free (honest) decision of a jury rests on the freedom of the jurors to express their honest opinions, and it is the same within a price system. Devices to prevent prices from being free and from being freely determined in the market, when created by law and enforced by law, become the equivalent of convicting a jury that persists in objecting to having its decision altered. Such treatment of a jury might be labeled as the ultimate of the ridiculous, or at least as destruction of the jury system. The corresponding treatment of price, on the other hand, is often labeled in glowing terms of patriotism, and in wartime many people kindly offered their services to help administer 'conviction of the jury' of price.

"Prices are not completely free unless each buyer and seller is allowed freely to enter into an agreement as to price that is satisfactory to both of them. This does not mean that the buyer does not wish to buy at a lower price, nor that he might not even pay more if necessary. It does not mean, either, that the seller does not wish to sell for more, nor that he might not sell for less if necessary. It means only that both buyer and seller, taking into account whatever they wish as a basis for their decision, are free to negotiate a price. In no other way can freedom of the individual and free enterprise exist. To deny the

Postwar Developments In US Will Have Strong Effect in Canada

Post-war economic developments in the United States will have a stronger effect on the financial future of Canada than ever before in the history of the closely associated countries, according to the Monthly Commercial Letter published by the Canadian Bank of Commerce, Toronto.

Citing a trade goal for the United States of $10 billion in exports and $7 billion in imports, the bank said that accomplishment of that projected foreign trade would result in economic benefits to the entire world. The letter stated:

"At a time when Canada is making strenuous efforts to expand her foreign trade, both export and import, she looks to the United States as a larger than pre-war market for much of her surplus production. If her hopes in this direction are realized Canada will be able to purchase more American products—cotton and oil, for example."

The bank warned, however, that the volume of goods passing each way across the border in future years, "will depend partly upon Canadian productivity and costs," in addition to the receptiveness of imports by the United States which will be governed "to some extent" by American economic conditions.

"Obviously," the bank added, "active business in the United States means a broader and more open market for all producers and traders, American and non-American, and less resistance to imports which compete with domestic commodities."

justice of that process is to deny to the individual his economic sovereignty, and to refute the doctrine of fairness involved in the concepts of religious freedom and the secret ballot. All these, as in a free market, respect the judgment and decision of the individual, however arrived at.

"Opponents of a free-market price may point to this economic doctrine as the counterpart of the right of an individual to kill or rob his neighbor. But no such correspondence exists. When buyer and seller mutually agree to exchange a product at a price—**any price**—the nature of the deal is very different from the buyer robbing the seller at the point of a gun, and paying him nothing. In the usual course of events, murders or robberies are not mutually agreed to by both participants. Laws like those against robbery are really laws to preserve the right of the to-be-robbed person to have a part in the decision of whether or not the robbery shall occur, in which case we call it by some name other than robbery. It corresponds to the anti-trust laws, to anti-monopoly laws, to free trade, to laws against artificial barriers in interstate trade, and to laws protecting a person's right to apply to any employer for a job and the employer's right to hire him; all these laws are in support of a free market. These matters should be pondered until it is seen clearly that a plea for a truly free market is not a doctrine of 'predatory economics,' as some charge. It is just the reverse.

"When one condemns the processes of a free market, as he is doing when he endorses any form or degree of price control, he is invalidating the rights of either buyer or seller. If the buyer and seller agree to trade the bushel of potatoes at $2 and a dictator sets a price limit of $1.80, he is economically disfranchising the seller in the market. He is doing exactly the same thing as the robber who takes the bushel of potatoes and then hands the poor victim a gratuity of what he wishes, in this case $1.80. This is not disfranchisement of the seller by 10%—it is complete disfranchisement, and the seller is completely at the mercy of the control instead of being able to pursue his rights in a free market.

"The line of reasoning which leads to the conclusion that price controls are justified has no logical terminus short of an argument for complete dictatorship. It is true that in wartime many materials are diverted to war uses, but that is comparable to the problem confronting people in peacetime when a potato crop is short, or some similar other event. If there is any distinction at all, it is a matter of degree and not of kind.

"It is really founded on the belief that a dictator, or a committee to whom he chooses to delegate this power, has judgment superior to that of the individual, and should be substituted for it. If this substitution is justified for one deal or for one price, it is logically justified for all deals, all prices, all economic affairs, all political affairs, all religious affairs.

"Surprisingly, no one has yet coined a name such as a 'democratically free market' to refer to a system of price controls arrived at by a majority rule in contrast to a voluntary market economy. But that concept has been born, even though no one name has yet come into common usage. Its naming is probably only a question of time, because the notion already prevails that the dangers and penalties of price control are escaped by the use of democratic processes. What is wrong with this idea? Why is it not reasonable to accept with confidence any controls arrived at by the process of majority rule?

"The essence of our traditional way of life in this country is not the principle of majority rule but is, instead, the protection of minorities against the depredations of a majority. This distinction is important in appraising the reconversion policies now in force and those proposed. Suppose you listed all the undesirable features of Hitler's Germany. How many of those features would be considered desirable if you could know that they were endorsed by a majority of the people in Germany (as they very well may have been)? The elimination of a minority, by means of a blood purge, whether because of 'race,' political beliefs, or economic beliefs, is the same whether carried out by a dictator, or by a committee of citizens in a democracy following a majority decision to do so. It is the same, also, if carried out by governmental employees who follow an administrative ruling by an official who has been properly elected by a majority in a democracy. The undesirable effects of economic controls are the same, whether put into operation by a dictator or within a democratic environment.

"Soundness is not insured by majority approval. If majority rule had determined truth the earth might never have 'become' round. The laws of economics prevail in spite of what majority opinion happens to be. Neither the laws of nature nor the laws of economics can be determined by public opinion polls, useful as they are for other purposes such as testing what people believe.

"In terms of the price problem and other economic problems of a free society, the question is whether or not they necessitate any one decision such as is involved in an election. What is it, for instance, that compels any oneness of decision as to what the price shall be for a product? Nothing! There is no automatic compulsion forcing us—particularly in peacetime problems like that of reconversion—to adopt some system that allows the majority to impose its decision on the minority, such as is involved in having an office of President. Differences of opinion as to prices can live in perfect harmony and function side by side, similarly to freedom of speech. The free market allows this freedom and protects the minorities against the majority, and therefore follows the important maxim of '. . . governing best . . .'

"There can be no graver danger to a free society than giving full sway to central decisions through majority rule, for it can and will eventually destroy that free society. The democratic process is no protection. In fact, dependence on the democratic process for protection can lead us innocently into the depths of anarchy, and into a process of widespread robbery of one another under the protection of undesirable law. The executing of controls, whether by majority rule or by arbitrary edict, results in the elimination of individual freedom and free enterprise, the lifeblood of a free society."

Securities Salesman's Corner

By JOHN DUTTON

Concerning Public Misconceptions Regarding Sound Investment And Economics

In last Saturday's New York "Sun," the following paragraph appeared in a letter written to the Editor, by a certain J. Harvie Williams. It gave us our clue for this week's column. Said Mr. Williams, "When error and untruth are believed to be true, every circumstance is fraught with danger; for our future will hinge on what our people believe to be true, whether it is true or not. More attention might well be given to breaking down lies and establishing some of the verities."

For many years our American system of capitalism has been under concentrated attack by politicians of the left-wing, New Deal school, and their hordes of fellow-travelers. During the early years of Roosevelt's administrations, name calling, and the use of smear against those who upheld these time-honored American capitalistic principles, became the established method of propagandizing the masses of the people into believing that the majority of those who had wealth, or property, were inherently evil; and that "profit" of itself was an immoral relic of a dying and decadent age of American imperialism.

Ever since 1932 that attack has been intensified. Scores of radio commentators have climbed upon the bandwagon. All of them profess to their great patriotism and their belief in the American way of life. If you were to tell them that they were undermining the very foundations of this American system, by their constant exposition of half-truths and economic fallacies, no doubt they would be sincerely outraged over such an idea. Many of these people are well meaning. But the dangerous thing about radio is that almost anyone with a clever style of delivery, a convincing tone of voice, or a hypnotic method of putting across a story, can command a large following.

The majority of people **are** like sheep. The will of the people can be bent into any form desired, by clever and evil men. It has been done, time and again, throughout history—and it is being done today right under our very noses here in America.

Especially, through the command of the radio, these left-wing believers in the sort of twisted economic system which we have in this country today, can and ARE destroying the very foundations of private enterprise. Instead of preaching cooperation they instill hatreds. Instead of trying to bring the viewpoints of the loyal and honorable American employer before their vast listening audience they smear all employers. For years they have been condemning Wall Street—or some mythical group of evil men connected with the investment business better known to their followers as "insiders," but whom they have never (individually) called by name. They know nothing about the sound economic system which created our American standard of living. They don't even realize that private property itself, is as inherent in our way of life, as any of the other guarantees of personal liberty which are assured to our citizens through the Constitution. They don't recognize the simple economic and political FACT, that the sort of American capitalism which we have built in this country is a direct outgrowth of those personal and guaranteed freedoms. And that if you take away, and change this system of private capitalism into something else; you can call it Americanism from dawn till doomsday but you won't have those civil and religious freedoms now guaranteed by that Constitution. Personal freedom, Americanism if you will, is insolubly bound up with, and tied with American capitalism. And that means private property, the right to make as much profit as you can make, if an honest profit—and to to keep what you've got after you've made it—or give it away if you want to!

Several weeks ago this writer sat at a telephone the better part of an entire day, answering telephone calls from startled clients of his firm, because a certain radio commentator inferred in his Sunday night broadcast over a nation-wide network, that he had "inside information" that the market was due for a downward plunge. It is not important that the market did sell off for a day or two. Those of us who are trying our level best to serve the public with sound investment advice and assistance, know only too well that nothing any one radio speiler can say will change the long term trend of market prices. We can tell our clients about the powerful economic forces which in the long run will be the arbiter of prices. We can do our best to guide those with whom we come into contact, so that they won't fall into the pitfalls of economic and financial illiteracy, which surrounds us on all sides today. We can do our best to point out to them that if they want to learn economic truths, and obtain sound investment information, that there are lots better places to obtain it, than listening to the radio commentator.

The need today is for a nationwide re-education of the American people in the principles of American capitalism. The American Bankers Association, the IBA, the National Association of Manufacturers, the various chambers of commerce, and groups of American business men, and all other public spirited educators and leaders of public opinion, should get together and show up these purveyors of half truths, and bare the quackery that lies behind their utterances. If the officers of the NASD were anything more than a glorified conglomeration of salary spongers, this moribund organization might do something constructive toward educating the investing public along the road to sound economic thinking and better investment procedure. But here again, what good could be expected from an organization, conceived in iniquity, under an unmoral, as well as an unconstitutional act, by the same sort of New Deal, economic thinkers, who are today continuing to undermine our system of private enterprise in other fields of endeavor? Other nations of historical greatness have gone down into the dust because of the fallacies preached by half-educated opportunists. **The people who could have told the masses the truth were silent.**

Unterberg Re-elected By N. Y. Sec. Dealers

Clarence E. Unterberg of C. E. Unterberg & Co. was re-elected President of the New York Security Dealers Association at the annual meeting. Other officers elected were:

C. E. Unterberg

Philip L. Carret, Carret, Gammons & Co., First Vice-President; Fred J. Robe, Second Vice-President; Otto H. Steindecker, New York Hanseatic Corp., Treasurer, and John J. O'Kane, John J. O'Kane, Jr. & Co., Secretary. George Geyer, Geyer & Co., and Chester deWillers, C. E. deWillers & Co., were newly added to the Board of Governors.

Redington Fiske With Delafield & Delafield

Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Lieut.-Col. Redington Fiske Jr. has joined the firm as a member of the investment advisory staff. Prior to entering the Army he was a partner in Fiske & Scheyhing, investment counsel.

During the war Col. Fiske spent more than three years overseas on the staff of Major-Gen. Frank S. Ross, Chief of Transportation in the European Theatre. As Chief Fiscal Officer of the Transportation Corps in Europe, Col. Fiske was responsible for negotiating all financial details relating to port and rail services under Reciprocal Aid. He also directed all procurement of transportation equipment and negotiated the financial terms for Lend-Lease transfer (within the Theatre) of such equipment to the British Government.

He was awarded the Bronze Star Medal for outstanding service in initiating the reorganization of all Transportation Corps supply activities in Europe.

Holsapple to Admit

Holsapple & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, will admit J. Lloyd Bailey to partnership on January 17th.

Hytron Radio & Electronics Corp.
Common Stock

Prospectus on request

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Arden Farms Co., Pfd. & Com.
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Market Quotations and Information on all California Securities

What Price—Unrealistic Price Control?

(Continued from first page)

We've just experienced another new high in Christmas business, but I'm sure that many of us know that we've hit a new low in the merchandise values that we've been able to furnish our customers, particularly those of moderate means. As one of the magazines so aptly puts it, consumers spent 50% more dollars this Christmas than they did in 1939, but obtained 50% less satisfaction with their purchases. Stocks of shirts, pajamas, shorts, lingerie and hosiery were pitiful, and our toy departments bordered on a national scandal. Three-quarters of our goods were deteriorated in quality and prices were extremely high. But the business lost on staple lines was more than offset by heavy sales of high-priced jewelry, novelties and gifts, and from a short-range sales and profit viewpoint, retailing had a successful holiday season.

What about the consumers? We are their purchasing agents. They are our bosses. They spent their money rather freely during their first peacetime holiday season. But just how long will this last? How long before we can expect the consumer to cast a cool, calculating eye on our shelves and counters and tell us in no uncertain terms that we are not doing a job. I think it is perfectly clear that the consumer will not continue to tolerate inferior, overpriced substitutes for any extended period. They know quality and they will demand it. And we will give them what they want at a price they are willing to pay, or we'll be out.

We know that we have been severely handicapped, throughout the war and currently, by a series of OPA actions that have caused line after line of low-priced goods to disappear from the market, and have forced drastic deterioration of quality in those lines that have remained.

We know, too, that OPA's current unrealistic, theoretical and unfair approaches to pricing problems are impeding production and literally throttling industrial activity throughout the nation.

Although the war has been over for five months, the shortage of consumer essentials is now more acute than at any time during the war.

Scores Bowles' Optimism

And while suits, shirts, shorts, wash dresses, and piece goods are practically non-existent, Mr. Bowles speaks of "the unexpected speedy reconversion," of our "excellent outlook" and the period of "unprecedented prosperity" that is around the corner. And he describes in glittering terms how "extraordinarily successful" his program has been, and to prove that Price Control has not hampered production, he explains that in World War I, production increased 25%, while in World War II, under OPA, it increased 116%. Just what connection there is between OPA and War Production is not at all clear. I'm sure they didn't apply their unreasonable tactics in pricing bombers.

Or by quoting overall sales and profit figures of a limited group of stores, he attempts to show that OPA activities have not interfered with civilian production. But it's never been clear to me that high sales or high profits on costume jewelry are a valid excuse for not having broadcloth shirts.

We haven't charged that OPA has handicapped sales or profits—we know that they have seriously restricted the production of consumer essentials.

OPA Policies Operate in Reverse

OPA is presumed to act in the interests of consumers and perhaps their intentions are to do so, but the fact remains that the bulk of their important regulations, particularly insofar as low-priced essentials are concerned, have worked in reverse, and the end result has been a forced cheapening of quality and disappearance of goods, thus compelling consumers to purchase in price ranges much higher than those in which they would normally buy.

The series of regulations to which I refer may be briefly described as first, the "Rigid Freeze" technique, which plainly discriminated against the low margin producer; second, the "Highest Price Line Limitation," under which thousands of low-priced producers could not possibly operate; the "Maximum Average Price Plan," which fails to make adequate provision for mounting labor and material costs, notwithstanding the fact that it has been amended countless times; and now in addition to these three, we have "Cost Absorption" at all levels, simply a new name for the same type of unrealistic and inequitable approach as has obtained throughout the past three years.

Keep in mind that price indices do not reflect quality deterioration, nor do they reflect production. Any appraisal of current living costs, based on such indices, is therefore highly erroneous.

OPA, whenever they desire to apply an additional squeeze, suddenly conclude that they must act strictly in accordance with the Stabilization Act and the President's Executive Order 9599, and that the Administrator has little if any discretion except to adhere rigidly to Sept. 15, 1942 price levels. But he finds it equally easy to disregard these mandates any time he chooses.

Ridiculous Contention

Of course, as every housewife in the country knows, it is ridiculous to assume that the "line" has been held.

But OPA stubbornly adheres to the position that anyone who does not agree 100% with their arbitrary narrow viewpoint is against price control and is advocating runaway inflation.

Certainly retailing has never taken such a position. We have attempted to obtain realistic and honest regulations. We have counseled against discriminating unfair tactics. We have urged that some attention be paid to the words "fair and equitable." Most consultations were meaningless idle gestures. Most industry advice fell on deaf ears.

Everyone knows that labor costs and consequently material costs have increased sharply since 1942, that operating costs for every type of business are far above 1942, and that industry generally is faced with further increases in labor costs. Under the circumstances, it is hardly possible to prevent some increases in prices to consumers, but this does not mean advocating runaway prices or inflation.

Certainly there is nothing inflationary about a FAIR price. OPA implies in their letters to Congress and in their statements to the press that present pricing policies permit manufacturers a price sufficient to defray current costs and yield prewar profits, but all industry knows that this is not the case. The pricing formulas make only partial allowances for current labor and material costs and administrative expenses. The strict application of this policy has been and is currently a major impediment to production. Manufacturers are compelled to discontinue production of prewar commodities they were skilled in making in great volumes, and to shift to lines in which they are not experienced. They have been forced to develop wholly unnecessary "new" products as a subterfuge to obtain price relief, whereas the new products are in most cases not equal to the prewar products in either quality or utility. At the same time, the pricing agency, with their "in line" theory, has permitted countless thousands of newcomers to enter the manufacturing field and produce similar commodities at prices considerably higher than would be necessary to enable old-line manufacturers to remain in their businesses.

Conditions Inexcusable

This situation is of course completely ridiculous, but the exhibit, which your Association prepared for the Congress, clearly demonstrated that the condition is widespread and inexcusable.

Countless examples could be cited. I will mention only a few. The case of a Georgia hosiery mill clearly indicates the problem.

This manufacturer, a large one, was engaged entirely in war production, from early 1942 to August, 1945, when Army contracts were cut back.

The manufacturer, who had had no dealings whatever with OPA throughout the wartime period, read the various pricing regulations and believed every word of them. He assumed that they meant that he could file an application and receive permission to charge a fair price for his products. I know he sounds naive, but keep in mind, he had not dealt previously with OPA.

He did exactly what we would like all industry to do. He reconverted immediately and turned all his machines to producing the identical number that he manufactured prewar: 240 needle, mercerized, split-foot hose, an excellent quality utility hose that had not been available to any merchant for three years. In the course of 60 days, he had produced approximately 20,000 dozens and having heard nothing from OPA, decided to visit their regional office. There he found, much to his surprise, that there was no possible way of obtaining price relief, that he would have to sell his hose at the March, 1942, price of $2.27½ per dozen. The fact that his current production cost him $2.52 made no difference. OPA was not even mildly interested in his current costs, or in his problem. Was he in the red? No. If not he deserved no consideration. Because he had operated at a profit, he now could well afford to sacrifice some of it by producing at a loss.

He solicited our aid and we contacted OPA in New York, offering to pay the higher costs and sell at prewar prices to bail-out a manufacturer that had served us faithfully and satisfactorily for 20 odd years, but that couldn't possibly be permitted. It would be a treble-damage violation. His only out—straight from OPA—was to produce a new number and apply for a higher price.

Is This Intent of Congress?

Then we called Washington and got the same answer, from the head of OPA's pricing section on hosiery. "Mix a little used nylon in the heels and toes. Call it a new number." And the best suggestion we could get from the Office of the Deputy Administrator for Price was to file an affidavit to the effect that the character of this man's business had changed. Perhaps then they could give him special consideration. Is this the fair and equitable pricing that Congress intended? Is this holding the line? Or is it sacrificing quality for a price ticket, or a price index?

Or I might cite the Mississippi wash suit manufacturer with capacity for 4,300,000 garments per year, now operating at 17% capacity although he has been trying for over five months to get a $0.93 price out of OPA. They tell him the limit is a loss price of $0.71. Let me quote just one sentence of his letter to OPA.

"We have the plant facilities, the labor, the demand, and the know-how to get back into a full production swing, if we can have some assurance of getting a go signal to produce merchandise without running into losses."

Manufacturers' Plight

Or the Chicago manufacturer, largest in his industry, with a capacity of 5,000,000 dozens per year, who has cut production to 20% of capacity, and who can make more money now with 1,000,000 dozens of his new number than 5,000,000 dozens yielded prewar. He's been trying to get a price for nine months and has finally given up with the statement, "When retailers and consumers wake up and demand reasonable regulations, may be I can get into my regular business."

We might discuss why there is no broadcloth, or 80 square print, or why all of our sateen is exported—

Or why we have to import a new number in clothespins from Denmark and sell it at twice the price we used to charge for the old reliable product of our Maine manufacturer—

Or why we pay Mexicans over the ceiling price for piece goods for outsized dresses—

Or why we buy Argentine socks, gloves and bags—

Or why the low priced electric iron production during the past twelve months has been exactly zero—

Or why 1 to 6 year olds have to play with dominoes and checkers instead of blocks—

Or why babies have to wear excessively heavy weight diapers.

Instances of this kind could be quoted by the hour. I think that the presentation of only part of our exhibit to the Senate Committee took about four hours.

But the answer to each is the same: OPA's adamant refusal to be fair.

Of course there are honest differences on pricing technique, but every reasonable person agrees that competent, equitable and clean-cut decisions are needed to encourage industry, to put men to work, and to produce goods quickly and thus counteract the inflationary trends that are now being stimulated by forced acute shortages induced by Governmental restriction.

It is difficult nowadays to pick up any newspaper or magazine, any day, anywhere, without finding a story or two on how OPA restrictions are retarding progress.

All Industry Throttled

All industry has complained—Wool - Rayon - Cotton - Lumber - Steel-Coal-Meat-Dairy Products, —and the complaints have come from primary producers as well as manufacturers and distributors of end-products. Can you help but pose the question, "Are we all out of step but Bowles?"

It would seem that any reasonable person would accept the premise that no one will produce goods except with an opportunity for profit—but not OPA—at least not the head of their Consumer Advisory Council who insists that industry is on strike, that they need no price concessions, and that they will produce when they get "hungry enough."

If OPA would only concentrate their activities on encouraging production, they would get the unqualified and solid support of industry generally. A tremendous amount of good could be accomplished this Spring toward satisfying the pent up demand for "hard to get" goods. If such action were taken now, there would be much less likelihood of any widespread upward price trend when controls are lifted next July.

But we all know that OPA has not encouraged production, that they have not shown the slightest inclination to encourage production. Industry has advocated incentive pricing for years. OPA has finally adopted it. They issue a regulation with impossible cut-off points—a complete farce.

Nor has OPA shown the slightest intent to prepare for discontinuance of price control—ever.

Chester Bowles says that controls are unthinkable except in emergency and that no one who believes in free economy wants them continued a day longer than is necessary, but as per usual, OPA has taken no action.

I wish that every person in this room could have seen and heard an ex-real estate attorney who has the job of determining when price controls can be lifted item by item. And you should have heard him explain what he meant when he took the controls off of all baseball equipment except balls, bats, mitts, apparel and shoes. We thought he took controls off home plate, but no—he meant to include all the bases and the catcher's mask as well. I can assure you that if we wait for OPA to act, we'll have long gray beards before we decontrol anything of any consequence.

No Disposition to Remove Controls

No, there is no indication of a real desire to take controls off, but rather a self-perpetuating and dangerous program that is bound to handicap industry throughout the transition period.

Just a word on Retail Cost Absorption. Mr. Bowles believes that retail margins are excessive. In a letter to Judge Vinson over a year ago, he announced his deliberate plan to substantially reduce existing retail margins. He started with a limited list of low-priced essentials, which retailers generally were quite willing to sell at reduced margins, or no margins if necessary, and at that time it was carefully explained that this was a restricted program, only to be applied to the barest of necessities. Since, we have seen that program expand, line by line, and price range by price range. At present, it encompasses a very large proportion of our volume, and the end is not in sight.

OPA attempts to justify such actions by preparing charts and booklets showing national averages in total industry sales and profits. Ordinarily, for the retail business, they use the figures of the Controllers' Congress. These are the figures of about 250 large successful stores. They are completely meaningless when applied to the operation of any one store, and of course are miles away from the actual operating experiences of the hundreds of thousands of small stores throughout the country.

National Average Figures Fictitious

Every retail trade association has consistently objected to OPA's using national average figures, but they insist on doing so, and they fail to give any consideration whatsoever to the wide differences in margins and operating expense rates of the various types of distributors. For example, the gross margins of the 250 stores in the Controllers' Congress vary from a low of 32.8% to a high of 45.7%. Variety stores' margins vary from 27% to 42%; furniture stores from 21% to 43%; hardware stores from 11% to 41%.

All of these stores have similar differences in operating expense rates. Department stores vary from 18% to 30%. Variety stores from 21% to 35%. Hardware stores from 7% to 39%.

It is perfectly clear, considering these wide dispersions of margins and expense rates, that it is quite impossible for any pricing regulations based on national averages to be fair and equitable.

Of course, if we experience volume increases, expense ratios will drop, and margins and prices can be reduced, and retailers would like nothing better. But the sales potential of a dry goods store cannot be projected on the basis of a national average figure that includes automobile and appliance sales. Nor can such a figure be used as a measurement of that retailer's ability to lower margins or absorb costs. The ability to absorb varies sharply by type of store and size of store, and volume of sales. The use of a national average figure is impossible.

It is well to point out, in this connection, that during 1936 through 1939, with margins substantially the same as they are today, over half of all retail establishments lost money.

It might also be well to point out that the department store cost per transaction has increased sharply, from 71 cents in 1939 to 87 cents in 1944, and that with the restoration of wartime suspended service, they will quite likely approximate $1.10 per transaction next year. There is a real need to keep the average sales check at its present high level.

But regardless of retail margins, our greatest need today is production, and unless goods are produced rapidly, we will really experience an inflationary tidal wave.

I don't know how many of you are familiar with the impartial survey made by a management engineering company, of the city of Bridgeport, but the facts disclosed are astounding. Listen to some of these figures:

OPA Program Fosters Unemployment

OPA policies have caused unemployment in 34% of all plants in the Bridgeport area. Had it not been for OPA, present employment would be 3,400 or 5.7% higher.

Unless relief is forthcoming by Feb. 15th, OPA regulations will make 8,700 or 14.8% of the working population jobless.

Manufacturing costs have increased 29.4% since 1942, and these increases range from a low of 10% to a high of 100%.

Price increases necessary average 19.1%, ranging from 0 to 75%.

Sixty-four percent of all Bridgeport industry is affected by OPA inequities and inconsistencies.

Industry is uncertain, confused, and has generally adopted a "What's the Use" attitude.

This situation doesn't quite check with the optimism of Mr. Bowles on the reconversion program.

If every major industrial center would have a similar survey made, I'm sure the results would be equally astounding.

The answer to all of this is very clear.

We should not immediately remove all controls. Certain of them are necessary. But we must keep firmly in mind that OPA is a wartime emergency agency, that it has no place in a peacetime civilian economy. Plans must be made for progressive decontrol now and for complete discontinuance by June 30th.

Retailers Must Act

All retailers must immediately insist:

(1) That any and all controls that stand in the way of legitimate production be promptly eliminated, and this includes the M. A. P. program.

(2) That every producer be granted a price sufficient to enable him to manufacture prewar quality goods at current costs with an opportunity for reasonable profit.

(3) That OPA bend over backward to encourage production, by adopting realistic incentive pricing programs with liberalized cut-off points.

(4) That the false theory that all increases needed to produce goods at current costs can be taken out of the hides of wholesalers and retailers be discarded.

We must incorporate principles of this kind in an aggressive program and fight for it vigorously. Unless we do, our return to normal will be unduly delayed and industry may be hamstrung for years to come.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

New highs and advances in many instances, up to the limit of 8/32nds have been the order of the day in the Government bond market. . . . The usual January investment demand, scarcity of offerings and the fear that present high prices would still go higher pushed the market to new alltime tops. . . . Another factor came into prominence last week, with the report that the return flow of currency from circulation amounted to $158 millions, the largest weekly drop in more than eight years. . . . The realization that the return flow of currency would further complicate an already difficult investment problem is no doubt responsible for a part of the spirited bidding that has been in evidence in the market. . . .

SUBSTANTIAL DEMAND

Some selling of the bank eligible 2s and 2½s resulted in a minor decline in these obligations, the middle of last week, but the demand was so substantial that what looked like an attempt to push and talk the market down for "trading purposes" was short-lived. . . . There has been and still is some switching out of the bank 2s and 2½s by institutions which can buy the restricted 2¼s and 2½s and this is certainly a natural procedure, since income can be increased considerably by such an operation. . . .

However, the amount of bonds involved in these exchanges has not been very large because the selling institutions do not want to move out of too many of their eligible issues because of their greater marketability. . . .

Rather than sell their bank eligible securities now, it is reported that non-banking institutions have been making use of bank credit, with these funds being used to buy the restricted 2¼s and 2½s. . . .

While it is generally agreed that more selling of the bank eligibles by insurance companies, savings banks and other investors would be a good thing for the market, not much hope is held out that this will take place at this time. . . . It is indicated that the institutions will continue to hold the bulk of their eligible issues until there is more definiteness to the Government's postwar financing program. . . .

RESTRICTEDS IN DEMAND

The rush to buy the restricted issues reflects in part the fear of non-bank investors that the Treasury will continue its policy of cutting debt charges in the future. . . . While the cost of carrying the debt as far as the deposit banks are concerned has been reduced, there has been no decrease yet with reference to institutional holders and individuals. . . .

What has probably been responsible for some of the recent buying of the outstanding ineligible obligations was the comment of the Federal Reserve Bank of New York in its January Bulletin about the high cost to the United States Treasury of the Victory Loan funds. . . . It was pointed out in this review that preliminary figures indicate that the average computed rate of interest on marketable issues sold to non-bank investors in the recent drive was 2.09%, the most expensive of any of the eight loan drives. . . .

This compares with a 1.965% average interest rate for the entire debt outstanding at the end of December. . . . The average interest rate on the marketable issues sold in the previous drives were: Seventh, 1.92%; Sixth, 1.70%; Fifth, 1.60%; Fourth, 1.62%; Third, 1.76%; Second, 1.81%; and the First, 1.84%. . . .

The expensiveness of the Victory Loan, according to the New York Federal Reserve Bank publication, was because non-bank investors were apprehensive that long-term interest rates might decline and, apparently convinced that long-term securities could be bought even for short-term holdings with equal safety and greater profitability than the shorter-term obligations, subscribed heavily to the long-term bonds offered in the drive. . . .

CAUSE AND EFFECT

The fact that the New York Federal Reserve Bank saw fit to comment on the high cost of obtaining funds from non-bank investors during the Victory Loan, along with the feeling in some quarters that the Treasury will eventually reduce the cost of financing the debt, at the expense of this class of investors, has created a substantial demand for the outstanding restricted obligations. . . .

Until something tangible has been done by the Government to clarify its future financing program, it is indicated that higher prices are to be expected for the ineligible bonds. . . .

One of the largest gainers has been the 2¼% due 1956/59, and despite the sharp advance that has taken place in this issue, it is still considered to have possibilities of further appreciation. . . . Some of the shrewd traders believe that this bond will be selling close to a 1.40% yield basis when it becomes bank eligible next September 15. . . . This would indicate that the 2¼s due 1956/59 could still move up about a point from these levels. . . .

INVENTORIES DEPLETED

Despite the belief that the dealers were well supplied with the restricted bonds, it is reported that the recent large buying orders for these obligations have depleted the inventories of some of them. . . . This may account for reports that spreads between bid and asked prices in some issues have been as much as ⅛ of a point for quantity amounts. . . .

SHORT-TERMS STRONG

Firmness and demand for certificates and notes reflecting easier money conditions have again revived the opinion in certain circles that the money market will be built up to the point where there will be a reduction in the rate of certificates. . . .

It was pointed out that the rise in prices of both the bank eligible and the restricted obligations, forecasts a change in the method of financing. . . .

Although it is believed that interest rates should be stabilized at present to slightly lower levels, it is indicated that the Treasury still holds to the policy of lowering the cost of the debt burden regardless of future consequences. . . .

WHERE ELSE?

Although profits in their Government bonds are very substantial, the commercial banks cannot afford to take them because there is no place they can reinvest these funds. . . . These institutions have a problem in getting new funds to work and in order to do this have made sizeable purchases of the better grade corporates, many of which have advanced more than a point in the past week. . . . Investments in corporate obligations, because of the high prices and scarcity of bank eligible Governments, could have an unhealthy effect on the banking system if carried too far. . . .

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Transfer of the Exchange membership of Webster Tilton to John H. Heminway will be considered by the Exchange on Jan. 17.

Transfer of the Exchange membership of Albert J. Hettinger, Jr. to Edwin H. Herzog will be considered on Jan. 17.

Hackney, Hopkinson & Sutphen which became inactive on Aug. 30, 1942 during the period that all active partners were engaged in War Service, resumed the status of an active member firm as of Jan. 2, 1946.

Harold C. Sears, member of the Exchange, and a general partner in Draper, Sears & Co., became a limited partner effective Jan. 1.

Edwin M. Bulkley, general partner in Spencer Trask & Co., became a limited partner effective Jan. 1.

Privilege of William A. Klubnik to act as alternate on the floor of the Exchange for Henry M. Watts, Jr. of Mitchel, Whitmer, Watts & Co. was withdrawn Dec. 31, as of which date Mr. Klubnik withdrew from partnership in the firm.

William Howard Schubart retired from partnership in Lazard Freres & Co. on Dec. 31.

Interest of the late John H. Brooks in J. H. Brooks & Co., ceased on Dec. 31.

Interest of the late Ernest B. Armstrong in Davis & Davis ceased on Dec. 31.

Interest of the late Sheldon E. Prentice in Dominick & Dominick ceased on Dec. 31.

Morris Sprayregen, George J. Scully and Benjamin Feinberg, trustees under trust indenture dated Dec. 18, 1944, were admitted as limited partners in Eisele & King, Libaire, Stout & Co., effective Jan. 1, 1946.

Interest of the late Walter R. Herrick in Hornblower & Weeks ceased on Dec. 31. On Jan. 1, Ralph Hornblower of Boston, Paul B. Skinner of Chicago, Alfred R. Meyer, and James J. Phelan, Jr. of Detroit, general partners, also became limited partners.

Interest of the late Morton D. Hutzler, limited partner, in Salomon Bros. & Hutzler, ceased on Dec. 31, and the Estate of Mr. Hutzler was admitted as a limited partner on Jan. 1.

Interest of the late John E. Scheffmeyer in Scheffmeyer & Co. ceased on Dec. 16.

Estate of Earle Bailie, general partner, became a limited partner in J. & W. Seligman & Co. on Jan. 1.

J. A. McCann Rejoins Merrill, Turbin & Co.

CLEVELAND, OHIO — After serving three years with the Army Air Forces, John A. McCann has rejoined Merrill, Turben & Co., Union Commerce Building, as representative in the Dayton territory, the company announced.

Mr. McCann, a Lieut. Col., was combat intelligence officer for troop carrier and combat cargo groups in India and China. He was operations officer for the North Burma Air Task Force, with headquarters at Bhamo, and later with the 69th Composite Wing of the U. S. and Chinese Air Forces, stationed at Kunming.

Mr. McCann is a graduate of Lakewood High School and Miami University, with an M. A. degree in economics. He originally joined Merrill, Turben & Co. in 1940.

Kaiser & Co. to Add New Partners

SAN FRANCISCO, CALIF.—Kaiser & Co., Russ Building, members of the New York Stock Exchange, the New York Curb Exchange and the San Francisco Stock Exchange, are announcing the admission of Charles W. D. Quine, Leslie E. Rowell, Charles P. Burgess and Charles C. Horton as general partners, and the admission of Edward L. Turkington as a limted partner, all effective Jan. 2, 1946.

Mr. Quine, Mr. Rowell and Mr. Burgess are associated with the San Francisco office of the firm. Mr. Horton is in charge of the New York office.

Other partners of Kaiser & Co. are Leland M. Kaiser and E. R. Foley, general partners, and Walter D. Heller and Allen E. Meier, limited partners.

We are pleased to announce that

HUGH H. CARLSON

JOHN W. O'BRIEN

First Lieutenant A.U.S.

who have been released from active duty

and

JOSEPH A. HAIGNEY

are now associated with this firm.

BARRINGTON & CO.

UNITED STATES GOVERNMENT SECURITIES

STATE AND MUNICIPAL BONDS

29 BROADWAY, NEW YORK 6, N. Y. WHITEHALL 4-3543

Main Factors in Housing Shortage

(Continued from page 123)

thing of importance"—well, about then he stopped to think and said, "Well, we haven't had an important question come up in the family in the last 20 years."

It made me think that possibly in undertaking to express our own views there might be a member of the family better qualified to talk about housing and arrangements and plans of housing than ourselves.

Employment, I have spoken of. It has so much to do with the subject that I am supposed to talk about. There probably isn't any industry that supplies more in the way of employment than the building industry. In addition to the man on the site, it is calculated that there are at least two off the site to prepare material, ranging back to the forests and the mines and the transportation and the fabrication—at least it takes two off the job for each one on the job, so that there probably isn't a single industry in the country that furnishes so much employment.

Is that a question that is important at this time? Gentlemen, if it isn't today the way things are, the trend of the day would indicate it is going to be just as important in the very near future as the matter of housing itself. I suppose there isn't any industry in which there are as large a number of individuals, firms and corporations prepared to carry on that business as in the business of construction.

Housing Shortage Acute

There is a great shortage in housing today. It takes two distinct forms that I think we should consider. One is the long-range view of providing permanent housing and the other is the temporary or emergency condition that exists today.

I know, and you probably know, that there are all together about 24,861,000 family units in the United States, according to the report of the last census. 20,598,000 of those are in the cities and 14,263,000 in the suburban communities, and this report states that about 40% of all of these units are classified as substandard. Substandard in its definition ranges, I am told, from lack of running water and maybe major repairs, to central heating, hot and cold water, separate bathrooms and toilet facilities. I think that this report is probably exaggerated. At any rate, I can imagine a farmer, proud of his stock, proud of his outbuildings, being a good deal resentful when somebody, as he would say, from the city, undertakes to tell him what constitutes satisfactory living conditions and that his home is unsanitary or sub-standard.

I think as a consequence, these reports are unnecessarily enlarged. I think that is probably true of the cities as well. It is not necessary to go to that extreme case reported by a welfare worker who found a woman living in very unsatisfactory surroundings, squalid conditions, and with a good deal of effort she arranged to have the woman moved out into the country. She got a nice sunny room for her, fresh air, and even arranged for her maintenance. Then, after four or five weeks, she was making a visit again to that same tenement and found the old lady on the same floor and the same dirty conditions and asked her what she was doing there, and why, and the old woman said, "Well, me likes peoples; me no likes stumps."

It leads me to think that there is a good deal of over-statement, exaggeration of the actual number of so-called sub-standard occupied dwellings throughout the country, in the cities and farms.

Conditions Product of War

We haven't done much if any building for the last five years. Just that in itself would create a shortage in shelter accommodations for both residence and business. We can't stop construction of anything that is so important to us for that period of time without creating a great shortage. In addition, of course we have had the period of the war, which accounts for no building to begin with, and during that period families have doubled up and now the men from the armed services are coming home—and I am referring to the emergency condition that exists today—and it is a natural thing when they get here that they want their own home. They do not want to live in just the same circumstances that their wives may have been living while they were away. At any rate, with all of the pressure to get the men home, it is natural enough after being in the Army this length of time that they want to get back. It is reported to us that there are something like 800,000 from the armed forces returning this month, about the same number last month, and that will continue through February, and then the number returning will be gradually diminished to some 30,000 in June.

Well, in addition to those that have families, married for some time, or newlyweds, just to get the picture, it is reported there are 15,000 single individuals who need accommodations. Of the 800,000 coming back this month and next, it is reported that about 90,000 come from the State of New York, and half of that number, or 45,000, from the city of New York. Well, that makes quite a task, to take care of as many as that, which is calculated to amount in numbers to 140,000 that would need housing units, and it would require about 43,000 units in all to take care of the 140,000 in number, and that hasn't anything to do with the 15,000 of single individuals for whom a place should be provided.

Of course, New York City is the place where the ships are landing, the port of entry, and, in consequence, there are a great many, we are told, who come here from other parts of the country to welcome home or receive for the first time their own relatives or friends that are returning. That has increased the emergency situation. Then there are several coming back here, we are informed, who are not residents of New York City or New York State who would like to stop for a while and see the sights of New York. So that is our emergency situation.

Needs of New York City

Mayor O'Dwyer has had a committee appointed who have been studying the situation and I have been quoting figures that were put together by that committee. The report which the Mayor has adopted provides for some 43,300 units and nearly all of it requires some legislation either by the State Legislature or by the Congress. It is recommended that some 10,000 units could be provided if the law that has to do with multiple family dwellings were changed; also, laws that have to do with old-law tenements, that could be converted, about 10,000 units; again the multiple family law must be amended to provide for increasing one-family to two and three-family dwellings. It is recommended that only those that are constructed of brick should be included in such category, but, in exceptional cases, there may be some frame buildings likewise included.

The Governor has already taken action to make use of military barracks that can be converted to provide family units at the expense of the State, and that would accommodate some 3,000 families. It is not a very large number.

Then there are something like 2,300 (I am speaking of the figures that were in this report) summer cottages that could be used the year 'round, provided the OPA will satisfy the owners of those properties in the matter of adjustment of rents so that the owner could have the usual rent for the four months in the summer and a lesser rent for the rest of the year. There are 2,000 bungalows that could also be converted. In addition to that, it is proposed to provide about 6,000 units by transporting demountable buildings and trailers, not a very desirable form of even temporary accommodation. The so-called prefabricated structures have not materialized at all. It hasn't been possible to find any responsible manufacturer who is prepared to manufacture and deliver them.

No Solution

In addition thereto, it is proposed to bring to the city 5,000 transit huts, about as undesirable a thing as you can think of having here. They look like a large sewer pipe cut laterally through the middle and then stood up on the ground, like that, which are now the property of the Navy Department, which has been asked to release them as material not necessary for the Navy. Well, of all of the temporary housing, that is the least desirable, it would seem to me, but perhaps the most acceptable, because as soon as the emergency is over, we will probably get rid of them.

If you notice the figures, they amount to about 43,300 units, temporary. That must be done. We may not like the idea of changing the multiple family law, permitting the old-law tenements to come into use again. It seems like a step back, but the Health Commissioner, a broad-minded man, has said definitely he doesn't like it, but in this emergency it is the case of choosing the lesser of two evils and, therefore, he raises no objection.

I think each of these proposed plans that attempt to take care of things temporarily may be seriously objected to, but again it is an emergency, and I think we all have to do whatever we can to bring them into use and to relieve this situation. It isn't likely that any individual or any veteran coming back is ever going to be satisfied until he gets something in the way of a permanent home. I think something might be said even in the emergency in reference to some of these plans. Particularly the demountable buildings, if it takes almost as long, could be sawn into sections and transported here to be re-erected, connected with sewers, with the water supply and with various other facilities—the time gained would seem to me to be almost little worth while compared to using the same location and the same facilities for something in the way of permanent improvements.

Well, I doubt very much whether anyone is going to be satisfied until we get something of a more permanent character.

OPA Rent Ceilings Prohibit Building

I did mention that there are more individual firms and corporations prepared to carry on building than in any other activity of business that we have, and I believe that they are raring to go and we wonder why they don't. I think it is largely because of regulations like the OPA that make it almost impossible for a builder, with a ceiling on rents fixed by the OPA, to undertake new consruction, knowing when he has finished his job that at the present increased cost he is only going to get the existing rental. He just can't do it.

I speak somewhat feelingly about that, because we had some experience, during the war, of course, when there was more excuse for it. We were asked by the then President of the United States to come to Washington and put up a housing project there. We found a location that was very attractive. We went down there, got along with the work, but we had the most terrific time to get the materials. The priorities on critical materials were exacted and enforced, and on the one hand we were urged in every possible way to provide for the housing of people, and on the other, every possible delay put in our way. There was one incident there that is almost amusing. The Army undertook to commandeer all of our reinforcing rods. They were all cut for our length and bent for our purposes, but the Army wanted them. Well, after some considerable discussion and negotiation, we agreed to give them half. The fact is, the Army never paid for the half; they never carted them away; they left them on the job until they were rusted and we had to get rid of them, some of them for scrap.

I wasn't speaking of that in particular, but defnitely speaking of the action of the OPA, who could not fail to know the additional cost that we were put to, building under war conditions that would not allow us to charge a rental to provide a reasonable return on the cost of the improvement.

Fair Return Denied

We had even a worse condition in California under similar circumstances, and a great deal of difficulty in building because of the difficulty in getting materials, all of the lumber on the Coast at one time having been taken by the Army. Materials and labor which we undertook to send there from the East were immediately taken from us for other activities when we got them out there. Completing half of the project in one city and two-thirds in another, when we proposed to charge a rent which would make only a fair return on the cost of the operation, the OPA said, "No, your rents must be comparable." Their comparability appeared to be based upon the number of rooms, the size of the living rooms and bathrooms, and whatever the facilities were, with no regard for the superior quality of what we were supplying, and the character of our operation there in a landscaped park-like development, a nice place to live. We said, "Let us see these other properties that you would make the comparisons with." In one case, we said, "Here, you are comparing the same number of rooms, the same size rooms in houses in a row of buildings that face on the street and are practically on the sidewalk, compared with our properties which are so nicely located." We were told—and I remember it very well—that "you don't know conditions in San Francisco," where it happened to be, that "people there liked to be able to roll out of bed and with one jump land on the sidewalk." That is a smart-aleck answer of a bureaucrat clothed with some authority.

That is the situation in New York now, and it is important that something be done in that direction. I say there is plenty of opportunity here. Individual firms and corporations are prepared to proceed, but they just can't do it unless there is some arrangement made whereby the ceilings will be taken off, it seems to me, altogether taken off of new construction, and something of that sort is necessary to get started. I am talking about permanent buildings, of course.

Slum Areas

For the future, isn't it likely that we are going to have very greatly improved—at any rate, we are making progress toward that—conditions for people who live in what we call the slum areas? It isn't possible in those areas for private capital to build and get from the rentals that can be paid in those locations any return in the way of interest on their investment, or return of principal. Therefore, the City has had to undertake a good deal of that work, and it can only be done where there is some form of subsidy, but there is an opportunity to cooperate with the City in cleaning up some of these unsanitary areas. It isn't conceivable that the City could take care of all of them.

I feel I should mention the interest taken by the last administration in improving living conditions in New York and the effort made to get cooperation from private enterprise to do the things that the City finds it impossible to do and to the extent that work should be carried on at this time. Park Commissioner Moses was very, very active. I can speak from experience that the urge came largely from him, and supported by the Mayor, or rather by the Mayor directly and then Moses following it up. Thus we have been able to undertake some improvements of the nature that I speak of in the way of private enterprise.

It is evident that the present administration is going to make use of the services of Park Commissioner Moses and I think he is a very efficient and a very capable public servant and that he knows this situation probably better than anyone else in the administration and, in consequence, I think we are likely to get some defnite action by the new administration.

It is noteable, also, that Moses' close associate, Mr. George E. Spargo, is becoming the Deputy Mayor. Whether we are in favor of this administration or not, I have very great hopes that the very subject we are talking about, the interest of housing people in New York City, is going to be very much advanced.

Obsolescence Greater Problem

Looking at what might be regarded as desirable conditions leads me to think that we have to fight obsolescence in this country more than we have depreciation. The improvement in the art of building has come so rapidly that anything that is 30 years old, or thereabouts, is regarded as old-fashioned, and it has seemed to us that the best protection against obsolescence is light and air.

These old tenements that are regarded as unfit to live in, unfit from the standpoint of health, are built on ground that is pretty well covered with buildings, sometimes a front tenement and a rear tenement, or they are built so close together that they may have air shafts, but no light shafts. At any rate, the modern plan which is the best protection against obsolescence is light and air.

There is a good deal of talk about and opposition to the plans I am thinking of, with respect to density, I think by well-meaning people who haven't thought through that subject of density, not realizing what may be accomplished by increasing the height of the building.

An Illustration

To illustrate it, if I can, in a very simple way, if you had a considerable area in which it was decided that density should not exceed a certain figure, to improve it so as to get sufficient return from rentals it was found necessary to cover the whole area with one-story buildings. You would have the density, but the one-story buildings would practically cover the whole land, with very little space for light and air. Now, if you just double the height of the building, you release 50% of your land and still keep the same density, and if you go to four stories, you will have the same number of people and you will occupy only 25% of the land. I think it is easily understood that you can go to 12 stories, and every story above the ground floor will be a more agreeable place to live, better light, better ventilation and, through the use of elevators, there is no more effort to get to the 12th floor than there is the first floor, and then occupying only 25% of the land, you could increase your density threefold without creating any condition that is unfavorable to health or comfort or anything of that sort.

It seems to me that is the form of improvement we are to look for in the future. We have had experience with it. The President spoke of something that we did in the Bronx. Now, happily, we are housing between 35,000 and 40,000 people in one project. If we hadn't that, it would make it much more difficult at the present time to take care of this emergency situation. There were some little things that were not finished, because the war came on and interfered with our getting materials, but there is a community with a population equal almost to White Plains or Poughkeepsie, and it has all of the community requirements—a good moving picture theater; Macy has a branch there, we have chemists' shops—drug stores, as we say—a library, family stores of all sorts, and there is no occasion to leave that community for anything that one needs in the way of comfort and living.

Density Unavoidable

We have undertaken projects here on Manhattan Island that are not far away from the business center. We have had a good deal of opposition from some people who speak about density. I have tried to explain under our plan we cannot have an unduly large increase in density, but material increase over what our thinkers on this subject have come to believe should be the limit. I don't want you to get the wrong impression. Even under the plans we are speaking of, the density is far less than the density in the tenement districts down on the East Side of New York, but it is more than some our our City planners think it should be.

We are well along with these projects now. We have had opposition from various sources. We have had to go to the courts. We have had to carry to the Court of Appeals the question of constitutionality of the redevelopment law, and all because some well-intentioned, I dare say, people believe that we are not doing a thing which they think should be done. I had this one experience with one man, whom you all know. He looked at plans in my office before we got started and liked them very much. I said, "It is a tremendous improvement over anything we have got in New York." He agreed that it was. "But," I said, "you don't like them for a particular reason."

He said, "That is right."

I said, "Well, now, if this be a great advance on anything we have here, isn't it better to do it and have this, or nothing?" and he didn't answer me. The only conclusion was that unless we would go along using our money for some noble experiment which he thought was desirable to carry out, it shouldn't be done.

Real Progress Under Way

In dealing with the present situation, I failed to list in the 43,300 units which this committee has reported should be provided, that there are 16,000 made possible by the rehabilitation law, although not immediately, and I think that there isn't any doubt that that number will be provided, because about 12,500 of them are in operations that we have well along now where we are removing the present structures; we are putting in the foundations, and real progress is being made getting ready to build and, fortunately, we started our operations a long time ago. The late Mayor I think was willing to embarrass me by asking in the presence of several contractors who said they couldn't carry on the City's work now without ample provision for increase in cost of material and increase in cost of labor, why it was that we could make progress. I had to tell him that we had been working on it for a period of nearly three years, and the fact is, we had contracts made for all of the fundamental things, the steel, the casement windows, the cement, the bathrooms, elevators, refrigerators, etcetera, in fact, all of what I say are the fundamental parts of the structures, and we are going ahead, barring delay which may come from trouble with labor—there may be organizational disputes, or there may be disputes within their own organizations which may delay us. Barring that, we will be ready to have tenants in three operations by the spring of 1947, and all together, we will have accommodations for about 43,000 people. That is a real contribution that we are making in this situation.

Taxpayers and Subsidies

I have said that the tenements or the slum clearance operations can only be carried on with some form of subsidy, but there are people in the next income bracket who pay their way; they do not want assistance of any kind, but through paying their taxes, are contributing their part to providing accommodation for people in the much lower income brackets that bid fair to be better than those they occupy themselves. I speak of that because for those people in that next step in the social ladder of whom I am thinking, private capital can cooperate with the City, to provide housing where the rentals are within their means. As an illustration, with the municipal operations extending almost from Houston Street to 14th Street on the East Side, our improvements extend north to 23rd Street. This cooperation with the City transforms a whole section where blight was setting in.

We have one operation (I don't know whether you are interested in this or not) that we call Riverton in Harlem. It extends from 135th to 138th Streets, and from Fifth Avenue to the East River Drive. It is an admirable location for the purpose. There are public schools, churches, library and playgrounds in the vicinity. That operation will be the same as the others that we have planned and are building, in that it will be in practically a park-like development, with green grass, trees and flowers and shaded paths, such as we haven't got on Park Avenue. But instead of appreciating what we are doing, we are accused of building a Jim Crow settlement, and it is resented as such. Of course, that doesn't change the fact that we are going along with it.

I have just been wandering along, talking of what seems to me to be the present situation with respect to immediate need for long-range housing, with respect to facilities that we have today to get going, but which will necessitate some changes in the law to permit emergency work, some changes in the regulation that will result in stimulating building, and without which I feel we can't move.

I have talked too long about this subject and probably wandered around because I have had no memoranda of just what I would say. I do want to go just one step further, if I don't try your patience, getting away from housing altogether, on the general situation, that I might leave with you one observation. I say "we," because I am part of you; I have been the president, and I know the earnestness with which we consider matters that have to do with public interest, and it is almost a temptation now to speak of some of the things like the atomic bomb, to speak of the labor situation and, by the way, there I constantly have in mind the observation of one of our best judges, Judge Knox. He said that we must see to it that the principles by which individuals live quietly and securely must be applied to industrial strife. Can you think of anything that is nicer in its objective? How we are going to get there, I don't know. I don't want to speak of that, either.

U. S. Achieved Victory

There is just one thing. We won a war against the aggressors. We are justified in saying that the United States did win the war. All of the strength of Russia would have been ineffective if she hadn't had aid from this country. As for the United Kingdom—and it seems to me we never can fail to be everlastingly grateful for England standing firm when she was in danger of being overrun and destroyed—but it was the aid that came from this country that made it possible to win the war in Europe.

Certainly we won the war in the Pacific single-handed. That was an accomplishment of our country. What I am getting at is this, that if we did this—and there is no question about it, and no disputing it—does it not carry with it a great responsibility to bring peace in the world? At the moment, of course, there is an uprising in Iran, there is rebellion in Java, there is active fighting in China, and I suppose disturbances in many other places, but must we not find some way of bringing permanent peace into the world, and what is our responsibility to do that? We can't be Santa Claus for the whole world; of course we can't. We have got to help some of the older countries in Europe, Germany itself.

Must Win the Peace

When I think of conditions in Germany, my first reaction is to say, "Let them starve, let them die; they brought it all on themselves." Well, that won't do. We certainly went into the war to kill or be killed, and we didn't do it to help Russia, we didn't do it to help France, and we didn't do it to help Great Britain or anyone else; we did it for ourselves. Now, haven't we got pretty nearly the same situation facing us with respect to the future of the world? Germany, because of lack of food or clothing or shelter, could become in such a debilitated condition that disease could break out there and you could have something that would spread all over the earth and come here, a pestilence that would do us as much harm as the munitions of an army.

I think we are all ready to accept that. We were ready to go all out to win the war. Isn't it a fact that we are never going to get peace in the world unless this country as a leader will go all out, and nothing short of that will be possible to win the peace? The outlook isn't very good, but I suppose I am a confirmed optimist. I am still young, maybe that has something to do with it. Somebody has said that trouble makes progress. God knows we have got trouble enough ahead of us now to feel that there is the opportunity for the greatest progress that this country of ours has ever seen.

Gentlemen, that is my conviction, that we are going to go forward from this time on with more progress than has ever been made before in this country of ours, and if that sounds too optimistic, I am sorry for you, because this is our country and we are for it.

J. R. Baylis Joins Staff Of Lazard Freres & Co.

J. R. Baylis, formerly Lieutenant U. S. Coast Guard Reserve, is now associated with Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange. In the past he was with Shields & Co.

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no variation, but again with the major premise suspended. Only on reflection does it occur to us that nature might trip us up one day by failing to record uniformity and universality.

Human Frailties

My point, of course, is that in dealing with human nature and man's institutional structures, we have no such right to assume the same continuity and regularity as we have come to expect from the inanimate world. The paradox is that man who is so proud of his knowledge about the exterior world, even the ability to discover atomic fission, knows very little about his inward nature. One thing he has not learned: how to regulate himself in relation to his fellows. Man's effort at government, whatever form it has taken, has never been an outstanding success. It has always been on a trial and error basis. No government has ever maintained its institutions unmodified, or its supremacy, for long. At this moment, most governments in the world, including our own, are in crisis.

The terrible fact of our generation is that technics are forcing men to live together in a shrunken world, but man's mind—his conflicting ideologies — is splitting men apart. Man is woefully divided on the spiritual plane. If you object to the word spiritual, the statement may be recast in this question: Can men govern themselves on both a national and world community basis so that each citizen of the world may have material plenty and yet freedom to develop individual talent to its highest fulfillment not inconsistent with the freedom of others and with total peace?

The answer is obviously no, unless there is a unitive principle universally operating.

Unfortunately, in spite of UNO, there is no organic unitive principle in sight.

Peace Yet to Come

At no time in world history has the schism in men's minds on how to achieve peaceful co-livability been sharper, or more violently contested, than in the past 30 years. This is true within the nations, and as among the nations. The second installment of the Great Global War of the 20th century, now presumably ended, but which may be merely a quiescent interlude to a third installment, constitutes mankind's greatest explosive clash of ideas. But it has not brought peace, nor unity, nor good-feeling. It has only proved how the effort for unity is *not* to be achieved.

The internal disunity in Germany, represented by 13 or 14 shades of political opinion, had become so unbearable by 1933 that Germany accepted Hitler. He promised jobs, security, unity, and the righting of wrongs. He actually achieved one kind of unity by swiftly creating an all-powerful State, whose will was supreme and enforced by an all-pervading secret police—the Gestapo. The price of this unity was to destroy all the freedoms ever won by man. The State was substituted for the church and religion as the author of the moralities.

Having thus unified and strengthened itself, Germany then essayed the triumph of a larger unity—the conquest of Europe, mid-Asia, and possibly the world under a German condominium. The attempt nearly succeeded but failed because the rest of the world joined to resist total power not backed up by morality. Germany, then, is the classic example of the failure of sheer force to promote unity. Its sole reliance on power, uncoupled from morality led to her destruction. Unbridled power, without moral sanctions, if again attempted to forge unity, could only bring the same sequel.

Unity Absent

Germany and Japan are now eliminated as obstacles to a peaceful world. Two powers in which the State reduced its citizens to robots to follow blindly the will of its rulers, have been humbled to dust. Now I am not pointing an accusing finger at Russia for the purposes of this discussion. Nor am I prejudging the merits of the sides in the political and economic strife raging in this country. My purpose is to emphasize the enormity and intensity of the split in men's minds. Though the war has been over nearly five months, this split has only partly been assuaged. The ways of peace are scarcely anywhere assembled and operative. Peace does not exist in these United States. Unity is absent from the peace-making victors.

At the global level, the primal schism lies in the fact that the two strongest nations left in the world, the United States and the Soviet Union, are poles apart in their thinking about government. Here are two systems that the rest of the world may take for a model, with or without variations. Whether they mean to do so or not, in the eyes of the rest of the world they are vying with each other, or compromising with each other.

It is fair to state that one area of the world is, in the main, open, penetrable, communicable, without censorship, and under Governments which its citizens are free to criticize as well as to own and operate property. Another area of the world is closed, insulated, nonpenetrable, incommunicable, with censorship, and under a Government in which its citizens are not free to criticize, or to own or manage their own property. Sometimes the one is semantically called Western Democracy, the other, Eastern Democracy.

This open breach at the world level communicates a counterpart breach at national levels through many nations of the world. Closing this yawning chasm is not helped by the fact that the appointment of fact-finding commissions to scan the books to investigate the merits of the contending systems would not be reciprocally appreciated. The open and communicable part of the world ipso facto permits propaganda dissemination and infiltration from the closed world, but the closed world insulates and isolates itself from counter-action from the open world. We need to take a good, large-scale, look-see at each other, rather than doctrinaire argumentation out of Karl Marx.

Conflict at Home

Now take a look at ourselves. The superficial unity observed during the war has now faded. We are once more engaged in the conflicts that were only submerged, not resolved, by the discipline of the war. We cannot blink the fact that we are a divided nation. We are at ideological civil war, more serious than the war between the States, because the issues are subtler and more complex, and because the fighters are civilians. Industrial warfare on its present dimensions is an ominous symbol of the deep-seated character of schismatic rupture.

You may define the issue of this conflict in whatever way you like. Basically, it is a quarrel over property; how best to use and manage property; how to distribute the product of industry in

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shares that will approximate the contribution of each agent in the productive process.

For the sake of simplicity I will attempt to define the nature of the conflict, though actually it is more complex, as follows: Whether we shall become a socialistic state with Government ownership of key utility industries, including banking and insurance, as in England, and otherwise planning and controlling production, consumption, wages, prices and profits, or be given even greater powers, or whether we shall return to the system of voluntary enterprise and competitive markets under the framework of the constitution.

The struggle has been going on internally since 1933. We cannot be a united people, we cannot be a United States, we cannot exercise a convincing leadership in this world either as a model for peace, or as a model of highest living standards, until we recover the unity we once built and cherished, or discover the basis for a new unity. We cannot predict what production, sales, wages, prices and profits will be, with any confidence, while, by laying violent hands on them, and threatening their flow, we cut ourselves off from the means of life.

So far I have been painting with a fast brush more in the manner of a working anthropologist than an economist or statistician. Now I wish to relent a bit, and make two finishing observations: one economic and one philosophical.

Inflation Pressures Intense

The economic observation is this. The materials of price inflation about which economists have been warning to no avail since 1933 are now exerting their pressures with the greatest intensity in our history. Instead of three years of deficit budgets, which worried even Mr. Roosevelt in 1933, we have accumulated 16 years of successive deficits, amounting to $278 billions. The deficit of the current fiscal year alone will be greater than the entire Federal debt of $23 billions in 1933. It is these deficits which have so greatly increased savings in the form of currency, bank deposits, and Government bonds in the hands of the public. These hived-up wartime savings represent *extra* purchasing power that has not yet exerted its force on prices. This is over and above the concurrent new purchasing power that will be generated by the production and marketing of peacetime goods and services.

Attacking the Symptoms

But having made its inflation bed, Government policy is against lying in it. So both here and abroad Governments are trying to counter inflation by means of price control—that is, attacking the symptoms rather than the root cause. But it is too late to do anything about the excess savings now, unless we are determined to stall production.

It is simple to explain our current impasse so far as the economics are concerned. Soon after V-J Day last August, the Government promptly and creditably relinquished many of its controls. Among the controls abandoned was that over wages. This was advertised with a flourish. But not so the control over prices. OPA still rules, and the Price Control Act does not expire until June 30. Mr. Truman has requested that this Act be extended "for many months to come." The line must be held.

Thus the Government's policy is to return the price of labor to the adjudication of free markets. But selling prices are not to be returned to the freedom of the market places. If we believe in a free economy, the effort of labor to use its freedom for higher wages cannot be criticized. But the rule should work both ways. You cannot have an economy work which is half free and half controlled. The release of wages from control, but the continuation of selling prices in control, do not add up. There would be sense in retaining controls on both wages and prices, or in abandoning both controls simultaneously. This lopsided arrangement will not work for long. Thus, in a basic sense the present strike crisis is essentially a revolt against the OPA. The outcome of this revolt will determine the outcome of the struggle between the enterprise system and socialism.

Adopt Swiss Pattern

On the broader anthropological theme of world unity—how mankind can govern itself in order and peace—I have a suggestion. It is to invite a case study of the Swiss Confederation. The world's lions may look at the ways of the ant. Here is a pilot plant model of competent governance that provides most of the answers of what, and what not to do, to get along in this world. The Swiss Confederation was organized by the free will of the people in 1291, but democratic processes had prevailed among the states comprising the Confederation for several centuries earlier. Thus the Swiss have had eight centuries of experience in practicing democracy, or five centuries longer than ourselves.

Let's look at the record. Except for a religious war, Switzerland has never been engaged in war, either internal or external. It is dependent upon international trade for survival. Yet it has no great resources unless it be sense and scenery. It manages, in normal times, to keep one of the world's best living standards. It is the most anti-communistic nation in Europe, and perhaps in the world. It has not maintained diplomatic relations with the Soviet Union since 1921.

Finances Orderly

Its finances are relatively shipshape. There is no external debt. The internal debt is small, relative to most standards. Except for the war years, the budget is within balance. The swiss fránc is the strongest currency in Europe. American bank notes are not acceptable in internal trade. The citizenship is not homogenous, but a blending of three or four separate national origins, speaking three languages. The cultural pattern is among the highest.

The President is one of the seven Cabinet Ministers, all of whom are elected by two Houses of Congress. Thus the Chief Executive is not selected by popular vote. He serves as President one year only; never two years in succession. All the ministers are elected for four years, and it is from among this group that the President and Vice-Presidents are rotatively elected. This puts the executive officers above the heat, smears, recriminations and emotions of campaigning.

Hitler and Mussolini might have invaded Switzerland. They chose not to do so. Switzerland offers no threat to anybody. It never did. It possesses a double shield: consciousness of limited ambition; a character and conduct record of doing no injury and inviting none.

Guideposts to Universal Peace

I venture to suggest that a solution achieved on a high-minded though miniature-scale basis could also be won on a national, and universal scale. The necessary ingredeints, as taught by the Swiss today, parallel closely those formulated by the founding fathers some 160 years ago. They consist of moderation, freedom with responsibility, intelligence, an instinct for workmanship, respect for law and order (as crystallyzing the best that has been learned from the past), and a limited ambition for power by any group, large or small, on the principle of live-and-let-live.

When will men by their actions disprove Hegel's cynical summation of his philosophy of history, that: We learn from history that man will not learn from history?

A Self-Appointed Legislature

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It is unfortunate, however, that, in its opinion, the Commission should have attempted to establish new doctrine, in our judgment, without legal right, which was wholly unnecessary because, independent thereof, there was enough in the record, more than ample, to warrant the "order revoking registration."

To demonstrate this usurpation, we quote in part, at length, from pertinent portions of the opinion:

> "It appears from the evidence in this case that respondent solicited from its customers orders to purchase specifically recommended securities when it knew that upon receipt of such orders it would have to go out into the market to obtain the securities in order to be able to fill the orders.
>
> "It has been urged that, under such circumstances, the firm was free to act as a dealer. This argument cannot stand when realistically viewed and tested against the provisions of the Exchange Act. Section 3 (a) (4) defines the term 'broker' as 'any person engaged in the business of effecting transactions in securities for the account of others. . . .' A firm which makes a purchase to fill an order solicited by it when it knew it did not have the securities on hand is making that purchase for its customers—in fact and within the meaning of the Act. Such a transaction is, therefore, a brokerage transaction under the statute, and it is a brokerage transaction apart from the fact that the particular customer may be (as was true in this case) especially reliant on the firm by reason of particular trust, confidence, or infirmity. Under these circumstances the firm must fulfill the obligations of brokerage in the transaction; among other things, to refrain from acting adversely, to refrain from taking secret profits, to make the best deal for the customer at the best price obtainable, and to confirm as agent making specific disclosure of the amount of its remuneration. In transactions such as we have outlined the firm placed itself in a brokerage position and it could not choose to act otherwise. Nor could it relieve itself of the necessity under the statute of acting as a broker by sending a confirmation as a purported 'principal.' The decision initially made by the firm to recommend the purchase of a security which it did not own was a voluntary decision which committed the firm to the role of brokerage. That role could not be changed without explicit and informed consent in each case prior to the completion of the transaction or explicit and informed ratification afterwards and nonaction of the customer upon the receipt of a principal confirmation did not, in our opinion, constitute such ratification."

The Commission's attempt to legislate the circumstances, or some of them, which create a duty to act as a broker rather than as a dealer, is alarmingly disturbing.

The use, as justification, of the statutory definition of the term "broker" is unconvincing because it is equivalent to arguing that because a horse is a four-legged animal, every four-legged animal is a horse.

If every dealer in securities who sells as principal must have those securities which he sells in his actual physical possession, or awaiting delivery to him pursuant to confirmed order, then we venture the opinion the majority, if not all, of the dealers in securities have laid the foundation for an order revoking their registration.

Let us suppose that a dealer employing 20 salesmen has in his possession a certain number of shares of security "X." Believing this security to be a sound investment, these salesmen or some of them advise clients to purchase this security. Such advice, of course, is not given as an investment adviser, but is only given incidental to the services rendered as dealer in securities.

The actual sales of security "X" exceed the number of shares which the dealer has in his physical possession, or for which he has confirmed orders of purchase to his own account.

At which stage in these transactions is the dealer obligated to assume the role of broker? Why does that specific obligation accrue? At which stage does the duty of full disclosure emerge? Why does the confirmation received by the customer without objection fail to constitute an estoppel and a ratification?

The danger in the Oxford case does not lie in the result. With the revocation order we are in complete accord. The danger, however, does lie in the uses that the Commission will make use of this opinion as precedent to enforce, by indirection, two of its pet hobbies, full disclosure, and placing dealers on a strict agency basis.

The Commission has already placed a number of firms which acted as dealers on an agency basis with their so-called "voluntary consent." No doubt the consent was given, but whether it was voluntary is another matter altogether.

Here again we must stress what we have so often emphasized before, that in the securities field there exists a well-established line of custom and usage. Further, that in the absence of any statutory provisions to the contrary, such custom and usage continues to prevail and constitutes the law of the land.

To effect any change therein, it is necessary for the Congress to act.

Interpretations of the Securities and Exchange Commission do not, and may not, form a substitute for legislative action.

Congress may not delegate such powers.

Whilst viewing with alarm the continuing encroachments of administrative bodies on the legislative functions, we have repeatedly warned dealers and brokers in the securities field to be on their guard.

These new superimposed regulatory innovations which we discuss today serve to emphasize the continuing necessity for that warning.

The Securities and Exchange Commission appears to be a self-appointed legislature that does not have to stand for periodic election.

Harding Resumes as Smith-Barney Partner

Charles B. Harding has returned to the investment banking firm of Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, as senior partner after four-and-a-half years active service in the United States Naval Reserve. Mr. Harding, who served as Chairman of the Board of Governors of the New York Stock Exchange from May, 1940, to May, 1941, was commissioned a Lieutenant in the U. S. N. R. in May, 1941, and held the rank of Captain when detached to inactive duty. A graduate of West Point in the class of 1920, Mr. Harding served as an officer in the regular army until 1922. He became a partner in 1925 in the investment firm of Chas. D. Barney & Co., which merged with Edward B. Smith & Co. in 1938 to form the present firm of Smith, Barney & Co.

Charles B. Harding

Percy Darby Joins Hamlin and Lunt

BUFFALO, N. Y.—Percy W. Darby has retired as vice-president of the Marine Trust Company of Buffalo, under the bank's retirement plan, after fifty-seven years of service, and will become associated with Hamlin & Lunt, Marine Trust Building, members of the New York Stock Exchange. Mr. Darby, who is seventy-four, had been with the Marine Trust Company since he was sixteen when he started as a messenger.

Fauset, Steele & Co. Opens in Pittsburgh

PITTSBURGH, PA.—Joseph H. Fauset and Harry J. Steele have formed Fauset, Steele & Co. with offices in the First National Bank Building to engage in the securities business. Mr. Fauset was formerly a partner in Singer, Deane & Scribner; Mr. Steele was an officer of Glover & McGregor, Inc.

Schrank Rejoins Staff Of Shaskan as Mgr.

Joseph Schrank, Major, A. U. S., released from active duty, has resumed his association with the New York Stock Exchange firm of Shaskan & Co., 40 Exchange Place, New York City, as Manager of their Trading Department.

G. F. Church & Co. Opens

ST. LOUIS, MO.—George F. Church has resumed his investment business from offices at 122 North Seventh Street. In the past he conducted his own investment firm in Chicago and was with David A. Noyes & Co. Until recently he has been serving in the U. S. Army.

Chance and Hall Form Own Investment Firms in Fresno

FRESNO, CALIF.—Raymond E. Hall has formed Raymond E. Hall & Sons and G. H. Chance has opened G. H. Chance & Co., both with offices in the Helm Building. Mr. Hall and Mr. Chance were formerly partners in Chance-Hall & Co.

Frank K. Tracy With Pacific Co. of Calif.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Frank K. Tracy has become associated with Pacific Company of California, 623 South Hope Street, members of the Los Angeles Stock Exchange. He was formerly with Gross, Martin & Co. and Bogardus, Frost & Banning. In the past he was a partner in Kerr & Bell, and its predecessor.

Donald B. Stephens Is With Paul H. Davis Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Donald B. Stephens has become associated with Paul H. Davis & Co., 10 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Stephens, a member of the Chicago Exchange, was formerly vice-president of First Securities Co. of Chicago.

Charles J. Hartman has also joined the firm's staff.

Ambrose to Manage Clucas Stock Dept.

Arthur P. Ambrose, formerly associated with Hayden, Stone & Co., has become associated with E. W. Clucas & Co., 70 Pine Street, New York City, members of the New York Stock Exchange, as manager of their Stock Department.

Emil Severin With Weil Roth & Irving

(Special to The Financial Chronicle)

CINCINNATI, OHIO — Emil Severin has become associated with The Weil, Roth & Irving Co., Dixie Terminal Building. Mr. Severin has recently been in the armed forces. Prior thereto he was a Vice-President of P. E. Kline, Inc.

R. C. Williams With Carter H. Corbrey Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—R. C. Williams, Jr., has become associated with Carter H. Corbrey & Co., 650 South Spring Street. He was formerly with W. J. Dunn & Co., Edgerton, Wykoff & Co., and R. D. Bayly & Co.

Riger Resumes With SEC

The Securities and Exchange Commission announced on Dec. 28 that Martin Riger had resumed his duties with the Commission after completing 43 months' naval service as Lieutenant, USNR. Mr. Riger has been assigned by the Commission as an Assistant Director in its Corporation Finance Division. Previously he has occupied the position of Director of the Reorganization Division, which was merged into the Corporation Finance Division in August, 1942.

George Thomson Dead

George Graham Thomson died at his home after a long illness. Mr. Thomson, an investment advisor, was associated with the Manufacturers Trust Company at the time of his death. Previously for many years he was a member of the investment banking firm of Morgan, Davis & Co. and originally was a director and vice-president of the Manhattan Trust Company.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

New rally, now indicated, can carry some stocks up plenty. But even if further strength probable, bear signals dominate market picture.

By the time you read this, strike news will have reached an all-time high. Practically everything that the market will do, or won't do, will be blamed on these strikes. You will read a lot and hear more about the dangers to free enterprise. There will be plenty of charges made by both sides. Which side is at fault and which one will win a victory is not the province of this column. But it must be said that the present strife is not unexpected. At least, it came as no surprise to management. Industry's methods during the war made the present wave of strikes inevitable. Action in human relations works the same way as it does in the market. Action will bring reaction just the same way as the swing of a pendulum in one direction will bring a counter swing in the other direction. How it will all end belongs in the realm of speculation. And in speculation the writer prefers to stick to the stock market.

* * *

Last week this column pointed out that the market was in the process of building what technicians called the third portion of a head and shoulders. The first shoulder had already been seen; the head formation was also made, and now the third shoulder was being formed. Such action is basically bearish. The trouble is that it doesn't show when a break big enough to justify the label, "bear market," will occur. It does, however, point a warning finger that the elect are wise enough to heed. Sometimes the first break may be postponed for weeks. In fact, the present market, while it persists in its warning signals, paradoxically also shows more immediate strength than weakness.

* * *

Sometimes this strength can be such that it can change the entire complexion of the fundamentals that brought about the first bear signals. The reason is that economics is far from an exact science, if it is a science at all. Fundamentals are man-made. It is true they don't change over night. Behavior patterns seldom do. Yet, if enough people believe they are changing and back that belief with buying stocks, or act almost unanimously in any other direction, it is virtually a certainty that the majority will swing things their way, at least for the time being.

* * *

The recent top was just under 196. It is no secret that there is a large, long interest which feels that this 196 figure is merely a minor obstacle in the coming advance. Few people recall that just above this figure is the old 1929 range which may not be so minor at all. But between that figure and the present market there is plenty of room for advances. A five or six-point average move can amount to 10 points in individual stocks. It would be foolish to shrug aside such a possibility, and I have no intention of doing it. So keeping in mind that the basic signs point to an end to the bull market, I still feel that certain stocks show higher prices and recommend their purchase. With the present strike fear dominating markets, I don't think you'll have much trouble getting these stocks at specific levels. The stocks and prices are as follows:

Baldwin—Buy between 33 and 34, stop 31½. Some trouble between 35 and 36, but once through it shows possibility of 40.

A. M. Byers — Buy 24-25; stop 23. Stock ahead between 28 and 29, then shows 31-33.

Flinkote — Buy 35-36; stop 34. First obstacle 38 - 39, through that should get to 42-45.

Last one is Waukesha Motors, which has all kinds of fundamentals. But thin markets make it a little dangerous. It's a buy between 21½ and 22½ with a stop at 19.

* * *

You will note that all the above have stops. These are not frivolous. They are put in for a reason. Perhaps a reaction will carry the stocks under the stops before a rally is seen. If that happens, I doubt if the subsequent rally will mean very much.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Business Man's Bookshelf

Agriculture in An Unstable Economy—Theodore W. Schultz—McGraw-Hill Book Co., Inc., 330 W. 42nd Street, New York 18, N. Y.—cloth—$2.75.

Great Britain in the World Economy—Alfred E. Kahn—Columbia University Press, Morningside Heights, New York 27, N. Y.—$4.00.

Regulations Regarding Payments Between Switzerland and Various Countries—Monetary and Economic Department of Bank for International Settlements, Basle, Switzerland—printed in French or German—paper—28 Swiss francs.

Holton, Hull & Co. New Inv. Firm Opens

LOS ANGELES, CALIF.—Holton, Hull & Co. has been formed with offices at 210 West Seventh Street to enage in the securities business. Officers are Charles L. Holton, president; Laurence D. Hull, vice-president; and Robert E. Tyler, secretary-treasurer. Mr. Holton was formerly with E. H. Rollins & Sons, Inc. Mr. Tyler was in charge of the accounting department for Maxwell, Marshall & Co.

Jacobs & Low Formed New NYSE Firm in N. Y.

Jacobs & Low will be formed as of January 18th with offices at 40 Exchange Place, New York City, to engage in the securities business. Partners will be Arthur J. Low, member of the New York Stock Exchange, and Harry Jacobs. Mr. Low has been active as an individual floor broker.

W. C. Langley Admits Warren to Partnership

Henry P. Warren, Jr., Manager of the bond department for W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will be admitted to partnership in the firm on January 10th.

Pacific Coast Securities

Orders Executed on
Pacific Coast Exchanges

Schwabacher & Co.

Members
New York Stock Exchange
New York Curb Exchange (Associate)
Chicago Board of Trade

14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928

Private Wires to Principal Offices
San Francisco — Santa Barbara
Monterey — Oakland — Sacramento
Fresno

LAMBORN & CO.
99 WALL STREET
NEW YORK 5, N. Y.

SUGAR

Exports—Imports—Futures

DIgby 4-2727

Established 1856

H. Hentz & Co.

Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges

N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.

CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Business Outlook for 1946

(Continued from first page)

prevent a disorderly rise in prices. And yet the year 1946 will probably give the people of the United States the highest standard of living that they have ever enjoyed. People will spend more money for goods than they have ever spent before. Frequently their dollars will not buy very good quality, and the kind of goods which people would like to buy will often not be available. Output will not be quite as high as in 1945, but considerably more output will be available for consumers and for private industry because in 1945 about one-third of the country's production went into war.

II. What Has Happened Thus Far?

As the basis for analyzing economic trends in 1946, let us note what has happened in the four and a half months since V-J Day. The physical job of conversion is now almost done. The low point in production apparently occurred in October. The substantial rise in the output of durable goods in November indicates that the country is now on the way up. The demobilization of the armed forces is over half completed. About 6 million men have been released. There is a further net reduction of about 4 million to be made in the armed services. This conversion and demobilization has been accomplished with virtually no drop in income payments, without **any** drop in the demand for goods, and with no drop (other than seasonal) in civilian employment. Let me comment briefly upon these three characteristics of the conversion period because they are important in judging future trends:

1. **The maintenance of high levels of income.**—Income payments in October were just as large as income payments in July and were only 1% below October of 1944. There was a small drop of about 7% in payrolls between July and October. This was partly a drop in military payrolls. Payrolls in private industry dropped less than 7%. The drop in payrolls was offset in the main by larger income payments to the self-employed. When seasonally adjusted, income payments in October were only 4% less than the July rate. No one expected that income payments would hold up as well as this.

2. **Record-breaking Retail Sales.**—Sales of all retail stores in October, 1945, were over 10% above October, 1944—$6.9 billion as against $6.2 billion. The gain in department store sales over last year has continued until the end of the year. The gain would have been larger had goods been available. Forecasts that uncertainties of the conversion period would make people afraid to spend their money have proved wide of the mark. Even in strike-ridden Detroit, Christmas buying reached record-breaking heights. The high volume of retail demand has not been financed on balance by redemptions of war savings bonds. There has been a rise in redemptions—from $428 million in July to $616 million in October and a great fall in purchases from $1.3 billion in July to $625 million in October—but purchases have just about offset redemptions.

3. **The maintenance of a high level of employment.**—Civilian employment in November, 1945, was larger by 200,000 than in November, 1944. Despite the demobilization of over 3 million men between August and early November, unemployment in November was only 1.7 million—less than 100,000 larger than in September. This was only one-third as large as the amount predicted by the War Manpower Commission. Although there has been a fairly substantial decline in manufacturing employment, from 14.1 million in July to 12.0 million in November, employment in trade rose from 7 million in July to 7.6 million in November, and employment in construction from 896,000 in July to nearly a million in November.

Although the engineering difficulties of conversion have turned out to be far less than many people feared and employment has held up surprisingly well, production has not recovered as rapidly as was generally anticipated. Only 54,000 passenger automobiles had been produced by Dec. 1. This was only about one-fourth the expected number. Refrigerator output in November was only 38% of pre-war, and the output of washing machines was only 50% of pre-war. The large rise in the index of production of durable goods between October and November is encouraging, and gives reason to hope that the flow of these goods will soon be considerably greater. Surprising and disturbing, however, has been the slow rise in the output of non-durable manufactured goods. This branch of industry has virtually no engineering conversion problems. With the termination of government orders, the index of output of non-durable goods, which had been running between 170 and 173, fell to 159 in August. In November it was still only 161. I shall have more to say about this presently because it has a bearing upon the outlook for 1946.

III. The Demand for Goods in 1946

The demand for goods in 1946 will in general exceed supplies. By this time, everyone is well aware of the huge needs which accumulated during the war and the tremendous volume of liquid assets which were acquired in the main by individuals but to a substantial extent by business enterprises also. Since 1941, retail sales have fallen short of their normal amount by $55 billion. About $45 billion of the deficit in retail sales is represented by durable consumer goods. Not all of the deficit in retail sales will be the basis for a future demand, but probably at least half of it will be. Some of the purchasing power which individuals did not spend during the war was redistributed by purchases of life insurance and by betting on the horses—both large items. Most of it, however, still seems to remain in the possession of people who did not spend it for retail goods, about 35% in the form of war savings bonds and about 65% in the form of bank accounts or cash. At the end of 1939 over 70% of the "liquid assets" exclusive of trust funds (currency, demand deposits, time deposits, and U. S. Government securities) were held by individuals. By the end of 1944 the proportion had dropped to about 63%, but individual holdings of liquid assets had increased over two and one-half times—from $44.0 billion (exclusive of trust funds) to $113.9 billion.†

Accumulated needs of business are very large also. It may be roughly estimated that business outlays on plant and equipment during the last four years were roughly $10 billion less than depreciation and depletion charges. This figure may be regarded as a low estimate of the accumulated needs of business. It does not cover conversion costs and it does not include the expenditures needed to adjust the size of the business plant to higher post-war incomes or to carry out new ideas and technological improvements developed during the war except as these may be implemented by the normal process of replacing old equipment with new at the usual rate

Under the conditions which now exist there will be demand, by and large, for all that industry will be able to produce. Consequently, the size of income payments can best be estimated by making a guess concerning the probable size of the labor force and making allowances for seasonal unemployment and strikes. There will be very little seasonal unemployment during the next year. The labor force at the end of 1945 with approximately 6,000,000 men in the armed services was about 61,000,000. Some additional drop in the labor force is to be expected. The amount of the drop is uncertain, because there is no experience to indicate how many people will be willing to work when the patriotic urge is absent and when incomes are high. Perhaps the labor force after demobilization will have an annual monthly average of about 60,000,000. This is considerably less than the size of the labor force during the war when the monthly average reached about 65,000,000. It is, however, about 5,000,000 more than pre-war and about 2,000,000 more than the size which the labor force would have reached in 1946 if the war had not occurred. The figure of 60,000,000 may be too high. It is almost certainly not too low.

If frictional unemployment is about 2,000,000 and employment about 58,000,000, income payments to individuals should be not less than $150 billion and income after taxes should be not less than $135 billion to $137 billion. If goods were available, retail sales would approximate $85 billion to $86 billion as compared to $74 billion in 1945. This assumes no appreciable change in prices and no important catching up on deferred demand. Goods will probably not be available to support this volume of sales during the first third of the year.

IV. The Supply of Goods

The crucial problem during 1946 is likely to be the supply of goods. I have already referred to the disappointing increase in production, particularly the failure of the output of non-durable goods to show an appreciable rise. Probably the actual output has been better than the figures seem to indicate. In some industries where production is measured by the consumption of raw materials, there may have been a drawing down of inventories. In industries where output is measured by finished goods, there has been a considerable production of parts.

Three principal reasons are suggested for the slowness in the rise in production: (1) inadequate OPA price ceilings; (2) lack of raw materials or parts; and (3) lack of labor.

There can be no doubt that OPA price ceilings have limited the production of many items of goods. A better balance in the price ceilings between different grades and different kinds of goods is urgently needed. Inadequate price ceilings may have far-reaching effects. Two manufacturers of products using electric motors find their output limited because, under existing price ceilings, steel mills find it impossible to produce profitably the electric sheets which are used as laminations in the rotors and stators of these motors. The total effect of inadequate price ceilings upon production, however, is difficult to appraise. I suspect that difficulties in OPA pricing affect the **kind** of goods produced more than the total **quantity** of output Employment and production in the men's clothing industry may be limited because it is more profitable to use rayon for tires than for linings, but employment in the tire industry is helped. From the standpoint of consumers, the wrong kind of goods may be quite serious because consumers may not be able to get what they most desire to buy and the purchasing power of the consumers' dollar may be substantially limited. Even with all the defects in OPA pricing, however, industry is trying to hire more people than it is able to get. It is difficult to reconcile this fact with the conclusion that price ceilings are seriously limiting the total amount of production. As shortages of labor and materials are gradually overcome, it will become increasingly important that the balance of price ceilings be improved.

Shortage of raw materials or parts is a common and important limit on output. In some industries the difficulty is strikes; in other industries shortages reflect the tremendous accumulated demand. A manufacturer of refrigerators reports that 10 of his principal suppliers are tied up by strikes. This manufacturer is developing substitute materials to take the place of some materials available from a single source only. Some suppliers are trying to meet the problem of excessive demand by rationing their customers on a percentage of pre-war purchases. This is a fair method, but it creates temporary bottlenecks because some supplies which might immediately provide jobs may go into inventories. Furthermore, some supplies may go to meet types of demand which will not be repeated. Let me cite the effect of this situation upon a manufacturer of household hardware. He writes as follows:

> "We were forehanded in placing post-war orders with our sources of supply, but our principal raw material being wire and strip steel, you can see that for obvious reasons we have not been able to manufacture at a level as high as we would like. We could employ more people if we had more material. Our operations today are running at about 35% to 40% of 1941. The flow of raw materials will have to increase or we shall not be able to sustain even this volume of production. We are prepared to go ahead and expand our production just as rapidly as the material situation eases up."

Shortage of labor is frequently mentioned as the reason for the failure of production to rise more rapidly. One of the most striking aspects of conversion has been the large number of vacant jobs reported by employers. The unfilled vacancies with the U. S. Employment Service have been running around 700,000. These figures do not by any means represent all vacancies. As is to be expected, the jobs unfilled by the public employment offices are, by and large, the least desirable ones, but they are by no means all low-paying. One-fifth of the vacancies for males listed in Massachusetts in October paid more than a dollar an hour. In the Boston "Herald" on Jan. 5 one finds vacancies advertised for a considerable variety of highly-skilled men—toolmakers, sales engineers (must be college graduates), design draftsmen, sheet metalworkers, piping draftsmen, production managers, glass blowers, die forgers, experienced machine designers, product designers, cost estimators, and automobile mechanics. Many employers who pay good wages report serious labor scarcities. There is, for example, a shortage of skilled men in the highly unionized printing industry. A large company in the metalworking industry which starts common labor at 70 cents an hour reports:

> "We are definitely short of labor, although the picture is not uniform country-wide. We are short in New Jersey and Illinois, but in Eastern Pennsylvania and in certain parts of the South we have a surplus of labor. Likewise, on the Pacific Coast, while we expected the layoffs in the shipyards to help us out, we have obtained practically no additional help which we need."

Of special interest is the slow increase of production in the non-durable goods industries which were not affected by conversion problems. Their backlog of orders is enormous. Hourly earnings are well above a year ago, and there has been only a small drop during the last year in the weekly take-home pay. Consequently, earnings in the non-durable goods industries compare more favorably with earnings in the durable goods industries today than they did a year ago. Here, if anywhere, one would expect a large and substantial increase in employment. Despite large lay-offs in the durable goods industries and the release of millions of service men, employment in the non-durable goods industries is about 10% less than a year ago. A union manufacturer in the high-paying full-fashioned hosiery industry reports that production in his plant is no more than 60% as high as management would like to have it in view of orders on hand and that the principal impediment to production is an inadequate supply of labor. He says:

> "I do not believe that paying higher wages would assist us in securing more labor in this area. Our wage levels are well in line, if not higher than the average in the area, and it is my impression that nearly every one in the consumers goods field here is experiencing the same difficulty; that is, that there is no great number of people seeking employment at any price."

The cotton textile industry is producing 18% less than in 1942, 8% less than a year ago, and only 10% above 1939. It has lost about 100,000 workers since 1942 when about 500,000 were employed. Employment has not picked up since V-J Day. Employment in the women's garment industry in October, 1945, was one-third below 1943 and in the men's garment industry 25% below.

What can be done about the problem of labor supply? Many people wish to exhaust their rights to unemployment compensation before resuming work. They are particularly disposed to do this because they have been working hard for several years and feel the need for a rest. Not much can be done about these people. Returning war veterans wish an opportunity to visit relatives, get a vacation, and to look around before getting themselves a job. In the three months after V-J Day, 3.8 million males withdrew from the labor force. This is far more than the usual seasonal withdrawals, and represents the tendency of demobilized veterans to remain outside the labor force for a few months. This practice should not be discouraged. In some cases wage increases are needed in order to enable certain industries to attract labor. These situations almost invariably require price relief. Hence the handling of these spotty labor shortages requires close and prompt cooperation from OPA. During the next four or five months a substantial increase may be expected in the civilian labor force, but no one knows how large it will be. In times past about one of three families have had more than one income earner. Wages are now high enough so that many second income earners will withdraw from the labor market. I suspect, however, that the civilian labor force may increase 3 million to 4 million beyond the usual seasonal rise. This increase will come partly from the return to the labor force of some of the 6 million service men demobilized in 1945 and partly from shifts into the civilian labor force of many of the 4 million service men who are still to be demobilized. This gain in the labor force will materially ease the problem of labor shortages.

The prospect that the civilian labor force will increase by 3 million or 4 million or more (after allowing for the usual seasonal increase) during the next few months raises the question of whether there will be plant enough to employ the number of people who will wish jobs after the war. In other words, may there be unemployment because industry lacks plant and equipment? Employment reached unprecedented levels during the war because over 12 million men were in the armed forces and nearly 6 million in the Government service. The highest number ever at work in private industries (including agriculture and self-employed) was in 1942 when the monthly average of non-Governmental workers was 46.9 million. If the monthly average of the labor force after demobilization is 60 million, if the armed services are 2 million, and other Governmental services 5 million, and if unemployment is kept down to the frictional minimum of 2 million, private industry will need to employ a monthly average of about 51 million, or 4 million more than the wartime peak. This peak was reached with the use of considerable second-shift and third-shift operation and by the employment of large numbers of men in shipyards, airplane plants, and powder plants where they cannot be used in time of peace.

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†Federal Reserve Bulletin, June; 1945, p. 533.

Allowance must be made for the fact that the self-employed (doctors, dentists, lawyers and other professional people) were temporarily reduced by the war, that the number of business enterprises was reduced by about half a million and that many retail stores, railroad shops, garages, hotels were undermanned. In addition, the construction industry, though over twice as large as at present, had in 1942 perhaps a million fewer employees than might be expected before the end of 1946.

All of this indicates that the employment of 51,000,000 men will be possible, but that the number of people on second and third shifts will be about as large as during the war—at least, until the plant of industry can be considerably expanded. Some men and many women may prefer to leave the labor force rather than to work a second shift. In many states it would be illegal to work women on second-shift hours. Many men may prefer to go back to the farm rather than to work night shifts in the cities, thus swelling the excessive number of agricultural workers.

Equally pertinent is the question of whether industry can get the raw materials needed for the private employment of 51,000,000 people plus the materials needed by 7,000,000 people in the governmen, civil and armed services. The United States will undoubtedly have to be prepared to increase its imports of many items such as metals, wool and, possibly, lumber. Full employment in this country makes desirable a prompt reconsideration of our tariff policy. There is real question whether the United States has enough low-cost steel capacity properly to service industry at full employment.

V. Can a Disorderly Rise in Prices Be Avoided?

The most crucial economic problem facing the country in 1946 will be to prevent a disorderly spiral of prices. Some rise in the general price level seems inevitable. The principal point of danger is that wage advances will force such large price increases that speculative buying will be generated or compensating wage increases will be sought which, in turn, will force compensating increases in prices.

The discussion of the ability of industry to absorb wage increases without price advances has not been very realistic. Many industries undoubtedly can grant wage increases without price increases, and have done so. Many other industries cannot. In many plants where civilian goods have not been made for three or four years, production costs are not known. Twenty-three industries which continued during the war to make substantially the same product as before the war have had widely divergent experience in output per man hour. Some of these industries have had a large gain, others have had a substantial loss. The average increase (a little more than 5% in five years) has been less than normal. Some industries report a letdown in labor efficiency since V-J Day. This is not surprising and is likely to be temporary, but no one knows how long it will last.

It is said that industry will be able to reduce labor costs by the more "frugal" administration of wage systems and by the elimination of premium overtime payments. There will be no reduction in labor costs from the more "frugal" administration of wage systems. Wage systems may well be more "frugally" administered, but this will not reduce hourly earnings. It will simply reduce the rate at which they creep up by numerous minor adjustments or from failure to make minor adjustments in piece rates as working conditions improve. Some saving in premium overtime will be achieved, but it will be small. In October the nondurable goods industries as a whole were working an average of one and a half hours of overtime a week and the durable goods industries nearly two hours overtime per week. This is likely to continue. More substantial are the savings to industry from tax reductions. All in all, industry as a whole might absorb a 10% to 12% increase in wages without higher prices or an encroachment upon profits. This is an over-all figure and there would be wide variations in the effect of a given wage change upon different industries and upon different plants in the same industry. General increases substantially in excess of 10% or 12% would touch off price increases which might be hard to stop.

The danger of a disorderly rise in prices will be accentuated by the continued deficit in the budget of the Federal Government during the first half of the year. The Government, however, will be reducing rather than increasing its purchases of goods. The deficit will represent, in the main, payments on purchases made some time ago. Such payments are less inflationary than the placing of new orders. The budget deficit, therefore, will not be too serious a threat to stability.

The expansion of credit in the purchase of real estate may aggravate a situation which is becoming increasingly dangerous. Although the construction industry has had a counter-seasonal rise in employment during the fall of 1945, construction is only half the level of 1943. The housing shortages are severe and are growing worse every day. Over a million families are estimated to be doubled up; the number may increase to 2,500,000 by another year. The demobilization of the armed forces will, as usual, bring about an abnormal increase in marriages. Despite the desperate housing situation, less than one-third of private construction in the third quarter of 1945 was residential building and the number of new dwelling units started was less than half the pre-war rate and little more than half as much as the increase in the number of families. Under these circumstances, making more credit available for the purchase of housing obviously does not reach the real difficulty. Effective steps are needed to increase the production of houses.

The large foreign demand for our goods indicates that the United States must be prepared to enter into gentlemen's agreements to channel this demand and possibly to control the size of orders and the timing of their placement. In some industries this country is prepared to export large quantities of goods without strong direct pressure on prices.

I am quite hopeful that a disorderly rise in prices can be avoided, though one must confess that the chances of preventing it seem less bright today than several months ago. My belief that price movements can be kept orderly rests upon four principal reasons:

(1) The general public on the whole has refused to reach for goods at high prices. On the contrary, consumers have usually paid high prices with considerable reluctance and have often refused to pay them. Considerable consumer resistance to rapid increases in prices can be expected.

(2) Wage increases will probably be held down to amounts which will make unnecessary large increases in prices.

(3) Before the middle of the year managements will probably be able to bring about significant gains in output per man-hour.

(4) The OPA will probably be retained beyond the 30th of June.

Conclusion

Let me conclude by saying a few words about these points. Every one acknowledges, I believe, that the public's contribution to price control during the war turned out to be far greater than anyone dared hope. Few people in 1939 would have dared predict that prices could have been kept under control with the public's holding such huge quantities of liquid assets as it has acquired. American consumers are likely to continue to make their contribution to price control. Perhaps wage negotiations in the next several months will pay more attention to questions of efficiency. Thus far employers, by and large, have failed to bargain for the removal of obstacles to efficiency and have failed to propose arrangements which would increase the interest of wage earners in raising output per man-hour. Perhaps the explanation is the inexperience of most employers with collective bargaining. Some letdown in efficiency after the hard production drive of the war is quite natural. Furthermore, the war leaves many unsettled issues in plants. Some of these issues lead to strikes. At any rate, sooner or later most of them get settled. After a few months of letdown, after unsettled issues have been cleaned up, after people get some strikes out of their systems, and after managements have had an opportunity to get the "bugs" out of the production of new civilian goods, efficiency begins to pick up. This pick-up in efficiency ought to become fairly evident before summer. A rise in output per man-hour is badly needed. One frequently sees statements that the safeguard against inflation is production. This is only true up to a certain point. Production creates enough income flow in the form of wages and profits to purchase what is produced. Consequently, unless there is technological progress, there is no opportunity to reduce prices without encroaching upon either wages or profits. Technological progress is needed in order to help industry hold down prices in the face of a huge accumulated demand.

Most people are eager to see the time when the OPA can be abolished. Some business men have even proposed that it be abolished in February. This is obviously unrealistic. The upward pressures on prices are now greater than ever. It would be unwise to set an arbitrary date for terminating OPA. That should depend upon economic conditions. On the day when the OPA is terminated, the full responsibility for preventing a disorderly rise in prices will be transferred to business. The public expects prices to be held down and, after the abolition of the OPA, will hold business responsible for seeing that prices are held down. I do not believe that the public has very rigid ideas on this subject. Slow price increases which do not touch off speculative buying would not be resented. Indeed, there is much to be said in favor of them. But a speculative rise resulting in a subsequent collapse would arouse deep indignation. Business cannot afford to risk the responsibility for such a rise. Consequently, business should not ask that the OPA be abolished until business feels quite able to assure the public that price movements will be kept orderly. It would be far better to keep the OPA six months too long than to abolish it six months too early.

Morton Lachenbruch With Blair Claybaugh

Morton Lachenbruch

Morton Lachenbruch has become associated with Blair F. Claybaugh & Co., 72 Wall Street, New York City. Mr. Lachenbruch, a specialist in unlisted securities, is well known in Wall Street trading circles and by dealers throughout the country. For many years he conducted his own investment business in New York City with a private wire system through the country. Mr. Lachenbruch's recent association was with Townsend, Graff & Co., members of the New York Stock Exchange, as manager of the trading department.

Gallaher Represents Putnam Fund on Coast

Putnam Fund Distributors, Inc., the general distributor for The George Putnam Fund of Boston, has announced the election of John G. Gallaher as Vice-President, and his appointment as the firm's Pacific Coast representative with offices in Los Angeles.

For the last several years Mr. Gallaher was the regional manager in Chicago for the U. S. Treasury, War Finance Committee. Prior to that he had been in the investment business for a number of years as an executive of Bond & Goodwin, Inc., of Illinois and general sales manager in the Middle West for Blair & Co., Inc.

Hill, Thompson & Co. Offers Mills Stock

Hill, Thompson & Co., Inc., on Jan. 4 made a public offering of 13,000 additional shares of common stock (par 50 cents) of Susquehanna Mills, Inc., at $22 per share.

Proceeds are to help finance acquisition of a spinning mill in Forsyth, Ga.; buy additional equipment and increase working funds.

Lewis Ankeny Opens Firm

KLAMATH FALLS, OREG.—Lewis Ankeny has opened offices in the Medical Dental Building to engage in the securities business. In the past Mr. Ankeny was with Hartley Rogers & Company in Seattle.

New School to Hear on Russia's Policy

The Associate Membership of the New School will hold a dinner forum on Russia's Foreign Policy on Friday, Jan. 25. Speakers will be Dr. Ernest J. Simmons, Chairman of the Department of Slavic Languages at Cornell University, on The Soviet Viewpoint; James F. Carey, Secretary-Treasurer of the CIO, recently returned from the Soviet Union as Chairman of its delegation, will give a critical analysis from the viewpoint of a labor leader; Ray Brock, foreign correspondent and author, will speak on the anti-Soviet viewpoint.

Following the addresses a discussion will be led by Max Eastman, author and poet; Joseph Freeman, founder and former editor of the "New Masses"; Eugene Lyons, former editor of "The American Mercury" and author of "Assignment in Utopia" and "The Red Decade"; Arthur Upham Pope, director of the Iranian Institute and author of "The Life of Maxim Litvinov," etc.; and Ella Winter, author recently returned from Russia.

Chairman of the Forum is A. Wilfred May.

Arthur Robinson With Fidelity Union Trust

NEWARK, N. J.—Arthur Robinson, who has been in the U. S. Army Air Force for the past three and one half years, serving in the European, African and Middle East Theatres, has become associated with the Fidelity Union Trust Company of Newark as manager of the municipal bond department.

Mr. Robinson was president of Colyer, Robinson & Co., Inc., of Newark prior to his entry into the armed forces.

Four Partners Rejoin W. E. Hutton & Co.

W. E. Hutton & Co., 14 Wall Street, New York City, members New York Stock Exchange, announce the reassociation with them of four partners after their release from active duty with the armed forces. They are: John J. Anglim, Corporal, A.U.S.; W. E. Hutton, Lt. Commander, U.S.N.R.; Robert C. L. Timpson, Major, A.U.S.; and Benjamin D. Williams, Lt. Colonel, A.U.S.

S. A. McFalls Forms Carolina Sec. Corp.

HIGH POINT, N. C.—Carolina Securities Corporation has been formed with offices in the Security Bank Building to engage in a general investment business. Officers are S. A. McFalls, president, and Nathan M. Ayers, secretary and treasurer. Mr. McFalls was formerly a partner in McDaniel Lewis & Co. and was an officer of R. S. Dickson & Co., Inc.

Katzenstein & Zink Are With Hirsch & Co.

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that Seymour Katzenstein has rejoined thteir statistical department after service with the armed forces and that Montague H. Zink has become associated with that department.

B. Adams Returns to Desk

Braman B. Adams 2nd, a Lieutenant in the United States Naval Reserve, has been released from active duty and has resumed his duties as a partner of Adams & Peck, 63 Wall Street, New York City.

Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

MONDAY, JAN. 14

PHILIP MORRIS & CO., LTD., INC. on Dec. 26 filed a registration statement for 149,883 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Jan. 3.

Offering—The company offers to the holders of its common stock rights to subscribe for the new preferred at the rate of one and one-half shares of the cumulative preferred stock, for each 20 shares of common stock held at a price to be filed by amendment.

Underwriters — Lehman Brothers and Glore, Forgan & Co., head the underwriting group.

MADISON GAS & ELECTRIC CO. on Dec. 26 filed a registration statement for $4,500,000 first mortgage bonds, due Jan. 1, 1976.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment. The bonds will be sold by the company at competitive bidding.

Underwriters—To be filed by amendment.

SINCLAIR OIL CORP. on Dec. 26 filed a registration statement for 100,000 shares of common stock (no par). The shares are issued and outstanding and are being sold by a present stockholder.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment. The statement says shares purchased upon the initial offering will carry the right to receive the dividend of 25 cents per share which has been declared payable on Feb. 15, 1946, to stockholders of record Jan. 15, 1946.

Underwriters—To be filed by amendment.

CHESGO MINES, LTD., on Dec. 26 filed a registration statement for 1,250,000 shares of $1 par value stock, non-assessable.

Details—See issue of Jan. 3.

Offering—The public offering price is 35 cents per share.

Underwriters—W. R. Manning & Co., Toronto, Ontario, Canada.

TUESDAY, JAN. 15

SHELLMAR PRODUCTS CORP. on Dec. 27 filed a registration statement for 40,000 shares 4¾% cumulative preferred stock, $50 par, and 150,000 shares of common, no par. The common stock is outstanding and is being sold by certain stockholders.

Details—See issue of Jan. 3.

Offering—The offering prices of the preferred and common stocks will be filed by amendment.

Underwriters—Glore, Forgan & Co. heads the underwriting group.

VICTOR CHEMICAL WORKS on Dec. 27 filed a registration statement for 40,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—F. Eberstadt & Co., heads the underwriting group.

COLONIAL AIRLINES, INC., on Dec. 27 filed a registration statement for 91,400 shares of capital stock, par $10.

Details—See issue of Jan. 3.

Offering—The company is granting to holders of its capital stock of a date to be fixed in January, the right to subscribe for not in excess of 91,400 shares of authorized but unissued capital stock in the ratio of one additional share for each three shares held. The subscription price is $20 per share. The capital stock not subscribed to by stockholders will be purchased by the individual members of the board of directors of Colonial Airlines at the same offering price of $20 per share, for their own accounts.

Underwriters—No underwriting.

WEDNESDAY, JAN. 16

DETROIT HARVESTER CO. on Dec. 28 filed a registration statement for 101,769 shares of common stock, par $1.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Reynolds & Co. heads the underwriting group.

AMERICAN POTASH & CHEMICAL CORP. on Dec. 28 filed a registration statement for 479,726 shares of capital stock (no par). The shares are issued and outstanding and are being sold by the Alien Property Custodian who directed the company to file the registration statement.

Details—See issue of Jan. 3.

Underwriters—The Alien Property Custodian proposes to sell the 479,726 shares of stock at public sale to the highest qualified bidder. If any such bid is accepted and if the successful bidder plans to distribute the shares the prospectus will be amended to include the requisite additional information. The shares to be offered constitute 90.79% of the 528,390 shares outstanding.

PALESTINE ECONOMIC CORP. on Dec. 28 registered 20,000 shares of common stock, $100 par value.

Details—See issue of Jan. 3.

Offering—The offering price to the public is $100 per share.

Underwriting—No underwriting.

TEXTRON, INC., on Dec. 28 filed a registration statement for 300,000 shares of 5% convertible preferred stock, par $25.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriting—To be filed by amendment.

COLUMBIA PICTURES CORP. on Dec. 28 registered 75,000 shares of cumulative preferred stock (no par) and 75,000 shares of common (no par) and 75,000 non-detachable warrants for common stock. The common shares are initially to be reserved for issuance in the event of the exercise of the non-detachable warrants for common stock attached to the certificates for preferred stock. The dividend rate on the preferred will be filed by amendment.

Details—See issue of Jan. 3.

Offering—The price to the public of the preferred shares will be filed by amendment.

Underwriters—The underwriting group is headed by Hemphill, Noyes & Co. and Hallgarten & Co.

UARCO, INC., on Dec. 28 registered 56,161 shares of common stock (no par).

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Kidder, Peabody & Co. heads the underwriting group.

NEWPORT INDUSTRIES, INC., on Dec. 28 filed a registration statement for 40,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Union Securities Corporation heads the underwriting group.

THURSDAY, JAN. 17

EASTERN COOPERATIVE WHOLESALE, INC. has registered 20,000 shares of 4% cumulative dividend non-voting preferred stock, series A ($25 par).

Address—44 West 143rd Street, New York, N. Y.

Business—Wholesale dealer in groceries and household and allied products.

Offering—Price to the public $25 per share. Securities are being sold by the cooperative directly to stockholders and friends interested in the cooperative movement without the interposition of any underwriter.

Proceeds—The proceeds will be used to increase working capital, to provide funds for the purchase of additional plant and equipment as needed in the carrying out of its post-war expansion program, and to refund and retire out of the balance remaining, if any, as much of the presently outstanding funded debt and current liabilities as possible.

Underwriters—None.

Registration Statement No. 2-6075. Form S-1. (12-29-45).

MONDAY, JAN. 21

RICH'S, INC., has filed a registration statement for 11,070 shares of common stock (no par).

Address—Broad and Alabama Streets, Atlanta, Ga.

Business—Department store.

Offering—The company will offer the stock to its common stockholders on the basis of one share for each 10 shares owned at the price of $70 per share.

Proceeds—The entire net proceeds estimated at $770,104, after deducting expenses, will be available for corporate purposes. The corporation considered it advisable at this time to provide itself with funds with which to meet its contemplated expansion program. The proceeds from sale of stock, with other funds, or borrowings, it is expected will be used in the erection of a new building addition to present building, and other improvements. The building and addition program is estimated to cost $2,500,000.

Underwriters—None.

Registration Statement No. 2-6076. Form S-2. (1-2-46).

WEST DISINFECTING CO. filed a registration statement for $1,500,000 sinking fund debentures, due Jan. 1, 1961. The interest rate will be filed by amendment.

Address—42-16 West Street, Long Island City, N. Y.

Business—Sanitation products.

Offering—The price to the public will be filed by amendment.

Proceeds—The company will use part of the proceeds to pay and discharge the mortgages on its property in the aggregate principal amount of $49,587 and will pay off all its bank loans of $800,000. It is contemplated that all or part of the company's outstanding notes in the principal amount of $33,500 will also be paid off from the net proceeds. Any balance will be added to the general funds of the company.

Underwriters—Coffin & Burr heads the underwriting group.

Registration Statement No. 2-6077. Form S-1. (1-2-46).

KELLING NUT CO. has filed a registration statement for 17,000 6% cumulative preferred shares (par $20) and 34,000 shares of common ($3 par). In addition, 2,600 6% cumulative preferred shares and 76,000 common shares are being offered only to certain holders of outstanding securities of the company. No underwriting discounts or commissions are payable by the company in respect of such shares.

Address—365 East Illinois Street, Chicago, Ill.

Business — Purchasing, processing and marketing of salted nuts.

Offering—The price to the public will be filed by amendment. Mae A. Urbanek has agreed to exchange 336 shares of presently outstanding 6½% cumulative prior preferred owned in her own right and an additional 152 shares held as trustee for 2,600 shares of new 6% cumulative preferred. The Kelling family have agreed to purchase a total of 76,000 common shares at a price to be filed by amendment. The underwriting agreement provides that as partial compensation to the underwriters the company will grant them options to purchase an aggregate of 10,000 common shares at a price to be filed by amendment.

Proceeds—Proceeds from the sale by the company of 17,000 preferred and 34,000 common shares to be offered to the public and the 76,000 common shares to the Kelling interests will be applied as follows: $86,900 to the retirement of all outstanding 6½% cumulative preferred shares (except 488 shares being exchanged) at $100 per share, exclusive of accrued dividends; $200,000 to the retirement of all outstanding 7% non-cumulative second preferred, at $100 per share, exclusive of accrued dividends; $74,105 to the retirement of notes. The balance will be applied to reduction of short term bank debt. As a result of the transactions, the Kelling interests will receive $279,600 from the redemption of their preferred shares and will invest a certain amount in 76,000 common shares, of which 14,000 shares will be sold at cost to certain key employes.

Underwriters — The underwriters are Kebbon, McCormick & Co.; Bacon, Whipple & Co.; Farwell, Chapman & Co., and Milwaukee Company, each underwriting 4,250 shares of preferred and 8,500 shares of common.

Registration Statement No. 2-6078. Form S-1 (1-2-46).

TUESDAY, JAN. 22

JULIUS KAYSER & CO. has filed a registration statement for 153,400 shares of common stock (par $5). The shares are issued and outstanding and are being sold by certain stockholders.

Address—500 Fifth Avenue, New York, N. Y.

Business—Manufacture and distribution of women's higher grade hosiery, fabric gloves, underwear and lingerie and children's and infants' underwear.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will go to the selling stockholders. The company now has outstanding 370,000 shares of common stock. On Jan. 31, 1946, the company's capitalization will be adjusted by the issue to stockholders, without payment by them, of an additional 370,000 shares, on the basis of one additional share for each share held of record on Jan. 25, 1946. The 153,400 shares of common offered under the prospectus are a part of the 740,000 shares to be outstanding on Jan. 31, 1946, and therefore represent an equity of 50% of that of the shares outstanding immediately prior to such adjustment. The shares are being sold by 16 stockholders.

Underwriters—The group is headed by Carl M. Loeb, Rhoades & Co. and Smith, Barney & Co.

Registration Statement No. 2-6079. Form S-1. (1-3-46).

WEDNESDAY, JAN. 23

A. P. W. PRODUCTS CO., INC., has filed a registration statement for certificates of deposit of $2,000,000 first mortgage and collateral trust 20-year 6% sinking fund bonds, due April 1, 1948.

Address—Foot of Bridge Street, Albany, N. Y.

Extension Offer—See below. The deposit of securities is desired as a preliminary step in connection with an offer of extension to holders of first mortgage and collateral trust 20-year 6% sinking fund bonds for the extension of the maturity date to April 1, 1966, and the reduction in the rate of interest to 5% per annum.

Registration Statement No. 2-6080. Form D-1A. (1-4-46).

A. P. W. PRODUCTS CO., INC., has registered $2,000,000 first mortgage and collateral trust 20-year 5% sinking fund bonds and 80,000 shares ($5 par) capital stock.

Address—Foot of Bridge Stret, Albany, N. Y.

Business—Tissue and towel paper.

Offering—The company offers to the holders of its $2,000,000 first mortgage and collateral trust 20-year 6% sinking fund bonds due April 1, 1948, the privilege of assenting to the extension offer providing for the extension of the maturity date to April 1, 1966, the reduction of the rate of interest to 5% per annum, the reduction of the principal amount of each $1,000 bond to $900 and to receive in consideration of such extension and debt reduction, without payment therefor, 20 shares of $5 par common stock per each $1,000 extended bond. Those assenting to the extension also will receive detachable warrants entitling the holders up to April 1, 1955, to purchase 20 shares of $5 par common per each $1,000 bond at the price of $6.25 or $7.50 per share, depending upon the date of deposit. The first date on which bonds may be deposited under the extension offer will be Feb. 1, 1946, and the extension offer will expire on March 1, 1946, or such later date as the company may fix. Bonds which are not assented to the extension offer are subject to redemption on April 1, 1948, or earlier at the option of the company, at $1,025 for each $1,000 principal amount of bonds.

Purpose—For extension of maturity and reduction of interest and debt reduction. Proceeds received from sale of stock will be added to company's cash balances.

Underwriters—No underwriting.

Registration Statement No. 2-6081. Form S-1. (1-4-46).

KAISER-FRAZER CORP. has registered 1,800,000 shares of common stock (par $1).

Address—Willow Run, Mich.

Business—Corporation proposes to engage in the production, distribution and sale of automobiles and replacement parts.

Offering—The public offering price has not been determined, but it is anticipated that it will be related to the market quotation at the time of the offering for the presently outstanding shares. The issue will be underwritten with a commission of 90 cents per share by the same group which purchased the September public offering, or a total underwriting commission of $1,620,000.

Proceeds—Based on current quotations for the stock, net proceeds to the company would be approximately $25,000,000. This sum, together with net proceeds of approximately $20,000,000 resulting from the corporation's previous financing would result in paid-in capital and surplus of about $45,000,000. Of such funds, it is presently estimated that approximately $18,000,000 will be expended as follows: machinery and equipment at Willow Run, $5,000,000; tools, dies, jigs and fixtures at Willow Run, $2,500,000; machinery, equipment and tools for the proposed Pacific Coast assembly plant, $4,000,000; expenses and charges prior to production, $6,500,000. The remainder of such funds will be available, pending specific application thereof and according to present estimate, for working capital, and for general corporate purposes which may include the following: the installation of additional assembly lines at Willow Run; the expansion of operations at Willow Run to include the manufacture of certain component parts of the Kaiser car initially being purchased from suppliers and the development and assembly of additional body styles, tentatively estimated at $10,000,000; and the establishment of a Canadian subsidiary to engage in the assembly of automobiles in Canada and their distribution in Canada and other foreign countries.

Underwriters—The underwriters are Otis & Co. and First California Company, 675,000 shares each, and Allen & Co., 450,000 shares.

Registration Statement No. 2-6082. Form S-1. (1-4-46).

GOLD CITY PORCUPINE MINES, LTD., has filed a registration statement for 600,000 shares of common stock, $1 Canadian currency par value each.

Address—112 Yonge Street, Toronto, Ontario, Canada.

Business—Prospecting, exploring and developing its mining properties.

Offering—The company is offering its common stock to the public at 50 cents United States currency per share. If the company accepts offers from dealers to purchase the stock, the company will sell to such dealers, if any, at 32.5 cents U. S. currency per share for resale at 50 cents U. S. currency per share. The estimated proceeds to be raised by the company is $300,000 U. S. currency maximum, and $195,000 U. S. currency minimum, if all the shares are sold by dealers, and assuming in any event that all the shares are sold. The proceeds will be applied first to certain unpaid expenses and of issuance and distribution of the shares of stock, for exploration and development work. A part of the proceeds will be applied to discharge liabilities of the predecessor company assumed in the amount of $31,492 Canadian currency, but not until at least six months after formal declaration by the Dominion Government of the end of the war, and only after $25,000 U. S. currency from the proceeds has been set aside and definitely earmarked for exploration and development work.

Underwriters — No underwriters named. Company proposes to make arrangements with security dealers in Canada and the United States to offer its shares, and upon such an arrangement being consummated, if necessary, an amendment will be made to the registration statement.

Registration Statement No. 2-6083. Form S-3. (1-4-46).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

AUTOMATIC CANTEEN CO. OF AMERICA on Dec. 12 filed a registration statement for 129,966 shares of common stock, par $5.

Details—See issue of Dec. 20.

Offering—Price to public will be filed by amendment.

Underwriters—Hornblower & Weeks and Central Republic Corp., Inc.

BERYLACA YELLOWKNIFE GOLD MINES, LTD., on Dec. 10 filed a registration statement for 5,720 shares common stock (par $5).

Details—See issue of Dec. 20.

Offering—Company has an authorized capital of $40,000, divided into 8,000 shares (par $5). There have been issued for property, 2,000 shares, in escrow; issued for cash 280 shares and in treasury 5,720 shares which are being offered at par for public subscription.

Underwriters—None named.

BROWN SHOE CO., INC., on Dec. 20 filed a registration statement for 40,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Dec. 26.

Offering—The price to the public will be filed by amendment.

Underwriters—Goldman, Sachs & Co., and Lehman Brothers head the underwriting group.

BUFFALO BOLT CO. on Dec. 14 filed a registration statement for 58,386 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The underwriters are offering 43,386 shares at a price to be filed by amendment. In addition there may be eventually offered under the prospectus all or a part of an additional 15,000 shares of common, issued and delivered by the company to Lee Industries, Inc., on Aug. 10, 1945, Buffalo Bolt acquired the assets subject to liabilities of Eclipse Lawn Mower Co. from Lee Industries for 15,000 shares of Buffalo Bolt common. Lee Industries distributed to its stockholders the 15,000 shares of Buffalo Bolt common which, at the then market value of $10 per share, were worth $150,000. Lee Industries was dissolved on Sept. 17, 1945.

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

BUFFALO NIAGARA ELECTRIC CORP. on Dec. 12 filed a registration statement for 350,000 shares of preferred stock ($100 par).

Issue Awarded Jan. 8 to Lehman Brothers and Stone & Webster and Blodget, Inc. on bid of 101.42 for a 3.60% dividend rate.

CABOT YELLOWKNIFE GOLD MINES, LTD., on Nov. 13 filed a registration statement for 1,000,000 shares of common stock, par $1.

Details—See issue of Nov. 22.

Offering—The price to the public is 30 cents per share.

Underwriters—John William Langs is named principal underwriter.

CARRIER CORP. on Dec. 14 filed a registration statement for 120,000 shares of cumulative preferred stock (par $50), 4% series.

Details—See issue of Dec. 20.

Offering—Shares are being offered, pro rata, at par at rate of 22 shares of new preferred stock for each 100 shares of common stock held of record Jan. 7. Rights expire Jan. 22.

Underwriters—Harriman Ripley & Co., Inc. and Hemphill, Noyes & Co. head the underwriting group.

CONSOLIDATED BISCUIT CO. on Dec. 12 filed a registration statement for 80,750 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The new stock will be offered to common stockholders of record some time in January at $10 per share in the ratio of one share for each four shares held.

Underwriters—None mentioned.

DALLAS RAILWAY & TERMINAL CO. on Dec. 13 filed a registration statement for 162,500 shares of common stock (par $20).

Details—See issue of Dec. 20.

Offering — The shares are presently owned by Electric Power & Light Co., parent of Dallas, and proceeds from the sale will be received by Electric Power & Light. Upon consummation of the sale Dallas will cease to be a subsidiary or an affiliate of Electric.

Underwriters—To be sold at competitive bidding.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.

Details—See issue of Oct. 4.

Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

GENERAL INSTRUMENT CORP. on Oct 25 filed a registration statement for 60,000 shares cumulative convertible preferred $20 par, and 260,000 shares of common par $1. The dividend rate on the preferred will be filed by amendment. The common registered includes 100,000 shares reserved for issuance upon conversion of the preferred. The 160,000 shares of common stock is issued and outstanding and being sold by certain stockholders.

Details—See issue of Nov. 1.

Offering—The price to the public will be filed by amendment.

Underwriters—Burr & Co. heads the underwriting group.

GENERAL SECURITIES CORP. on Sept 28 filed a registration statement for 200,000 shares of common stock, par $5.

Details—See issue of Oct. 4.

Offering—The price to the public is $7.50 per share.

Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

GRAHAM-NEWMAN CORP. on Dec. 7 filed a registration statement for 14,999 shares of capital stock, minimum stated value of $50 per share.

Details—See issue of Dec. 20.

Offering—Of the 14,999 shares 5,000 shares are offered to stockholders of record Jan. 7 at $100 per share. This offer expires on Jan. 30, 1946. The balance of the stock will be publicly offered, after expiration of offering of foregoing shares.

Underwriters—None named.

LIQUID CARBONIC CORP. on Dec. 21 filed a registration statement for 72,810 shares of 3½% cumulative convertible preferred stock, $100 par.

Details—See issue of Jan. 3.

Offering—The preferred shares are to be offered to common stockholders at the rate of one preferred share for each 10 shares common held. Subscription rights expire at noon, Jan. 26, 1946. Any shares not subscribed for by common stockholders will be offered to the public.

Underwriters—Laird, Bissell & Meeds, Spencer Trask & Co. and Merrill Lynch, Pierce, Fenner & Beane head underwriting group.

MANUFACTURERS CREDIT CORP. on Nov. 13 filed a registration statement for 40,000 shares 6% preferred stock, $25 par, and 40,000 shares of common stock, $1 par, and 40,000 common stock purchase warrants and 40,000 shares of common reserved for issuance upon exercise of warrants.

Details—See issue of Nov. 22.

Offering—The offering price to the public will be $30 per unit, a unit consisting of one share of preferred and one share of common stock.

Underwriters—Walter F. Tellier, doing business under the firm name of Tellier & Co., New York, is named principal underwriter.

NATIONAL LINEN SERVICE CORP. on Nov. 16 filed a registration statement for 30,000 shares of 4½% cumulative convertible preferred stock par $100 per share.

Details—See issue of Nov. 22.

Offering—The company is offering to holders of 4,624 shares of $5 cumulative preferred stock and 21,695 shares of $7 cumulative preferred the opportunity to exchange their shares for the new shares on a share for share basis, plus a cash payment. Unexchanged shares through underwriters at $105.

Underwriters—Clement A. Evans & Co., Inc., Atlanta, Ga. heads the group.

NEW YORK DOCK CO. on Dec. 5 filed a registration statement for $12,000,000 first mortgage 3½% bonds due Dec. 15, 1970.

Details—See issue of Dec. 13.

Underwriters—The underwriting group will be headed by Hayden, Stone & Co., and Halsey, Stuart & Co., Inc.

Offering temporarily postponed.

NICKEL CADMIUM BATTERY CORP. on Nov. 23 filed a registration statement for 35,000 shares of capital stock, par $10.

Details—See issue of Nov. 29.

Offering—The price to the public is $10 per share.

Underwriters—None. The securities are being offered by the corporation.

Registration Statement withdrawn Dec. 29, 1945.

PACIFIC COAST AGGREGATES, INC., on Dec. 21 filed a registration statement for 15,000 shares of cumulative preferred stock, convertible series, $100 par value.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Blyth & Co., Inc., and Schwabacher & Co. are principal underwriters.

PORTLAND MEADOWS on Dec. 20 filed a registration statement for $900,000 in unsecured income notes due Jan. 1, 1971, providing for interest at the rate of 10% payable only from income.

Details—See issue of Jan. 3.

Offering—The offering is to be at par, with total net proceeds to the corporation placed at $900,000.

Underwriters—No underwriter named.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.

Offering—The price to the public of the different series ranges from 99 to 102 The average price to the public is given as 100.47.

Underwriters—S. K. Cunningham, Inc. Pittsburgh, and John Nordman Co., St Louis, Mo

SEATTLE GAS CO. on Nov. 28 filed a registration statement for $4,800,000 first mortgage bonds due Jan. 1, 1976. The interest rate will be filed by amendment.

Details—See issue of Dec. 6.

Bids Invited—Bids for the purchase of the bonds will be received by the company at 1429 Walnut St., Philadelphia, up to 11 a.m., Jan. 14, 1946, the successful bid to specify the interest rate.

SOUTHERN UNION GAS CO. on Dec. 10 filed a registration statement for 27,000 shares of 4½% cumulative preferred stock, par $100.

Details—See issue of Dec. 20.

Offering—The price to the public will be filed by amendment.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

STERLING ENGINE CO. on Dec. 12 filed a registration statement for 100,000 shares of 55 cent cumulative convertible preferred stock ($8 par) and 150,000 shares of common stock ($1 par).

Details—See issue of Dec. 20.

Offering—The 100,000 shares of preferred stock are to be offered first to the holders of the company's outstanding common shares at $10 a share. The common shares are reserved for conversion of preferred. The preferred is convertible at any time into 1½ shares of common stock.

Underwriters—Burr & Co., Inc., 57 William Street, New York 5, N. Y.

TENNESSEE GAS & TRANSMISSION CO. on Dec. 21 filed a registration statement for 812,100 shares of common stock (par $5). Of the total, 238,000 shares will be purchased from the company by the underwriters, while 574,100 shares will be purchased from certain stockholders.

Details—See issue of Jan. 3.

Offering—The offering price to the public will be filed by amendment.

Underwriters — Stone & Webster and Blodget, Inc., and White, Weld & Co. head the underwriting group.

UNITED STATES AIR CONDITIONING CORP. on Nov. 21 filed a registration statement for 500,000 shares of common stock, par 10 cents, of which 150,000 shares are to be offered through an underwriter

Details—See issue of Nov. 29.

Offering—The price to the public is $4.50 per share. Application has been made by the corporation to list on the New York Curb Exchange 350,000 shares of its common stock which is presently issued and outstanding and application has been made to list on the Curb 150,000 additional shares to be sold under this prospectus.

Underwriter — George F. Breen, New York, is named underwriter.

VALLEY OSAGE OIL CO. on Aug. 13 filed a registration statement for 113,468 shares of class A stock (no par).

Details—See issue of Aug. 16.

Offering—The price to the public is $12.50 per share.

Underwriters—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway, New York, N. Y.

THE VISKING CORP. on Dec. 19 filed a registration statement for 150,000 shares of class A common stock, $5 par. The shares are issued and are being sold by certain stockholders.

Details—See issue of Dec. 26.

Offering—The shares are being purchased from a group of stockholders. The largest block, 54,000 shares is being purchased from E. I. du Pont de Nemours & Co. Price to be received by the selling group and price to the public will be filed by amendment. Company's capitalization consists of 540,000 shares of class A, $5 par common and 54,000 shares of class B common stock, par $5.

Underwriters—A. G. Becker & Co., Inc. and Lehman Brothers.

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

Details—See issue of Aug. 2.

Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

Underwriters—Willis E. Burnside & Co. New York.

WELCH GRAPE JUICE CO. on Nov. 23 filed a registration statement for 20,392.8 shares of second preferred stock, par $100.

Details—See issue of Nov. 29.

Offering—The 20,392.8 shares of second preferred are being offered to the holders of common stock, at the rate of two shares of second preferred for each 15 shares of common held, at $100 per share. Navajo Corporation has agreed to purchase all of the unsubscribed shares at $100 without any discount or commission. Navajo states it will purchase the unsubscribed shares for investment, and not for distribution to the public.

Underwriters—None mentioned.

WESTERN AIR LINES, INC., on Oct. 29 filed a registration statement for 197,876 shares of common stock, par $1.

Offering—Stockholders of record Dec. 28 are given the right to subscribe to 102,489 new shares of $20 per share in ratio of one new share for each four shares held. Rights expire Jan. 15.

An additional 19,077 shares will be offered through options to employees and others at $20 a share.

An additional 76,310 shares will be offered to employees and officers at $16.50 per share.

Underwriters—It is not contemplated that the issue will be underwritten.

Our Reporter's Report

Current Offerings, Pending Issues and Prospective Flotations

Normally each year brings two periods when reinvestment demand is a potent influence in the bond market. The first usually develops along about this time when investors are seeking to place in profitable employment funds which have accumulated with them over the year-end in the form of dividend and interest payments and from issues which have reach maturity with the turn of the year.

The second such period, under ordinary conditions, comes along in July the period of semi-annual settlements.

Investors who find themselves with idle money at the moment are facing a well-nigh impossible task in seeking new outlets. But the seasoned market, in lieu of any appreciable volume of sizable new offerings, appears to be feeling the influence of such pressure to buy.

The consensus seems to be that money rates cannot conceivably work much, if any lower. Yet government securities, especially bonds eligible for investment by banks, along with railroad and public utility obligations have been edging higher since the turn of the year.

All three categories have been moving into new high ground not, of course, by leaps and bounds, but in a manner which indicates persistent demand from investors even at the cost of reducing the yield returned by such purchases. It is a case of supply and demand working inexorably against the investor. Another fortnight should tell the story of just how far this buying will persist.

Atlantic Refining

Notwithstanding the low yield afforded at the offering price, brisk demand was reported for the Atlantic Refining Company's new 20-year 2⅝% debentures, brought to market yesterday.

The price of 101 for public offering, brought the indicated yield down to approximately 2.55% which represents a new low return for an industrial undertaking.

This operation involves the offering, as well, of 102,000 shares of new $100 par value cumulative preferred stock. The new shares, however, are being offered initially to common stockholders, with bankers prepared to underwrite any unsubscribed portion of the issue.

Buffalo Niagara Electric

The week's only other large corporate undertaking for the current week, marketing of Buffalo Niagara Electric Corp.'s 350,000 shares of $100 par preferred, was expected to be placed on the market today.

The successful banking group, which bid the stock in under the Securities and Exchange Commission's competitive bidding rule on Tuesday, paid the company a price of 101.42 for a 3.60% dividend rate.

Bankers announced they would proceed with reoffering later in the week, expected to be today at a price of 102.85 a share. Indications pointed to a quick closing of the subscription books.

Looking Ahead

With the two aforementioned large marketings out of the way, it appeared that the investment market would find itself more or less on a diet of new stock flotations, and these pretty well spaced, for the next fortnight or so.

At the moment there is the prospect of one small bond issue next week, $4,800,000 first mortgage, 30-year bonds of Seattle Gas Co. on which bids are due to be opened next Monday.

Largest among the potential stock offerings is a block of 812,000 shares of Tennessee Gas & Transmission Corp., which could reach market on Tuesday, with the Street talking about a price of around $12 a share.

In addition there is a block of 149,893 shares of $100 preferred of Philip Morris & Co., Ltd., which is destined for initial offering to common holders, and a block of 100,000 shares of Sinclair Oil Co., common stock.

Housing Loans Loom

For those who have a leaning toward obligations of public housing authorities it appears that the supply may prove ample as time goes on.

A group of banking houses is reported to have agreed to undertake commitments for a total of $1,675,000,000 of such loans for the purpose of financing New York City's slum clearance program.

Just how soon such paper would be made available, however, appears to depend on general conditions, chiefly the availablity of labor and materials and such enabling legislation as may be needed.

Visking Com. Offered By A. G. Becker & Co.

Formal public offering of 150,000 shares of The Visking Corp. class A common stock is being made today (Thursday) at $35⅛ per share by an underwriting group headed by A. G. Becker & Co., Inc., and Lehman Brothers. The offering represents no financing on the company's part but a partial distribution of the holdings of present stockholders in this previously closely held business. The company expects to apply for a listing of the shares on the New York Stock Exchange.

The Visking Corp. produces chiefly cellulose casings used in the manufacture of "skinless" frankfurters, and for other meat products. Other divisions of the business are engaged in the manufacture of plastics. Production of cellulose casings began in 1926, following years of laboratory research to develop and perfect the product. Tonnage output has increased in every subsequent year. Earnings have likewise followed a generally upward trend. Net income in 1944 amounted to $1,169,854, equivalent to $1.97 per share on the 594,000 shares of class A and class B stock outstanding, and in the first nine months of 1945 to $930,683 or $1.57 per share. The company has paid monthly dividends without interruption since 1930. Monthly payments of 13¼ cents per share (an annual rate of $1.59) have been declared for January, February and March, 1946.

Reese Associated With Wm. J. Mericka & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Albert D. Reese has become associated with Wm. J. Mericka & Co., Inc., Union Commerce Building. Mr. Reese has recently been in the armed service as renegotiator. Prior thereto he was President of the Second National Bank of Ravenna and was National Bank Receiver with the Comptroller of Currency.

Atlantic Refining Co. Debentures and Preferred Stock Offered

New financing amounting to $35,200,000 in behalf of the Atlantic Refining Co. was undertaken Jan. 9 by underwriters headed by Smith, Barney & Co., in a public offering of $25,000,000 20-year 2½% debentures offered at 101 to yield 2.56%.

The company at the same time is offering 102,000 shares of 3.60% series B preferred stock (par $100) at $101.50 a share first to holders of common stock at the rate of one share of preferred for each 26 shares of common. Preferred shares unsubscribed for on Jan. 25 will be taken up by the underwriters.

Of the proceeds, $25,375,000 will be used to redeem a like amount of 15-year 3% debentures due in 1953 at 101½. The remainder will go into general funds to pay off bank loans and to finance expansion of refining, transportation and marketing facilities.

Upon completion of the financing capitalization will consist of 2,663,998 shares of common stock, 148,000 shares of 4 cumulative convertible preferred stock and the debentures and 3.6% preferred stock now being offered.

Tucker to Be Partner

Cawthorne & Troeber, 120 Broadway, New York City, members of the New York Curb Exchange have admitted William C. Tucker to partnership in the firm.

DIVIDEND NOTICES

LEE RUBBER & TIRE CORPORATION

REPUBLIC RUBBER
INDUSTRIAL RUBBER PRODUCTS
Youngstown, Ohio

LEE TIRE & RUBBER CO. of N. Y., Inc.
TIRES, TUBES & SUNDRIES
Conshohocken, Pa.

The Board of Directors has this day declared the regular quarterly dividend of 50c per share and an extra dividend of 75c per share on the outstanding capital stock of the Corporation payable February 1, 1946, to stockholders of record at the close of business January 15, 1946. Books will not be closed.

WM. B. DUNLAP
Treasurer
Dec. 27, 1945

FLEMING-HALL TOBACCO CO., INC.

Dividend on Preferred Stock

Directors of this Corporation have declared a regular quarterly dividend of fifteen cents (15¢) per share on the 6% Cumulative Preferred Stock, payable January 15, 1946 to stockholders of record at the close of business January 8, 1946.

FLEMING-HALL TOBACCO CO., INC.
By S. C. Korn,
President and Treasurer

COLUMBIA GAS & ELECTRIC CORPORATION

COLUMBIA SYSTEM

The Board of Directors has declared this day the following dividends:

Cumulative 6% Preferred Stock, Series A
No. 77, quarterly, $1.50 per share

Cumulative Preferred Stock, 5% Series
No. 67, quarterly, $1.25 per share

5% Cumulative Preference Stock
No. 56, quarterly, $1.25 per share

payable on February 15, 1946, to holders of record at close of business January 19, 1946.

DALE PARKER
Secretary
January 3, 1946

Charges Gov't Plans to Pay Nat'l Debt Through Higher Prices

(Continued from page 126)

of the fact that the distribution of profits affects more than stockholders and workers in any and every enterprise; that consumers, who have paid these profits in prices, and the Government, charged with the task of raising at least $25 billion to $28 billion revenue a year for some years, have also a direct interest in the distribution of the profits of enterprises.

The intent of Government to pay a large part of the National Debt through higher prices, an unthinkable brutality, would be thwarted, if the exclusive right of workers to profits,—above a small return to stockholders, — were conceded.

At least an eighth of the family units in America cannot increase their dollar income materially, if at all, and most of them have incomes under $1,500, a large proportion under $1,200.

One of the best statisticians in the Government told me recently, that under present policies, it is expected that the cost of living will increase about a fifth within a year or so.

Organized labor which asks an increase of 30% in wage rates, apparently hopes to buy immunity from such drastic inflation at the expense of all consumers, but it admits the futility of such dollar increases, in its warning that it will seek, whatever it obtains now, another 30% increase in wage rates, in a short time.

The United States Department of Labor recently reported on distribution of 48,600,000 workers by annual wage income in 1943, exclusive of agriculture, domestic service, nonprofit organizations and government.

35,000,000 had under $2,000
7,700,000 had $2,000 to $3,000
5,900,000 had over $3,000

Of 23,800,000 workers in manufacturing,—15,500,000 had under $2,000; 4,600,000 between $2,000 and $3,000; and 3,700,000 over $3,000.

The war's end has changed these figures somewhat.

The fear of wild bidding up of prices for scarce goods due to wartime individual savings of some $40 billion, indicates the preferred financial position of several million families, probably as many million as those with less purchasing power, now, than when the war started.

We respectfully ask therefore:—

1. That you tell the American people in your talk to them, or your Message to Congress on the State of the Union, whether it is the intention of the Administration to pay off a large part of the National Debt through higher prices.

2. That you request any Fact-Finding Board you set up in labor disputes to consider the rights of unorganized consumers to no increase in the prices of necessities, or even to a reduction from wartime peaks, and the claim of Government, representing all of us, to part of profits obtained through prices paid by the masses of consumers.

3. That you urge Congress to have an investigation made at once of the capital set-up of major corporations, as has been done by the Federal Power Commission for power companies, and to tax land values, directly or through an excise tax, based on the value of holdings, as the most effective method of preventing the imminent disastrous speculative boom in the selling price of both rural and urban lands, such as followed World War I.

All these measures will benefit members of organized labor, as workers, as well as the four-fifths of workers, who are not members.

Wine, Women and Song

(Continued from page 126)

And the hours of work are to be reduced. These plans for the coming year are to be furthered in all directions in the future. The people have just gone through a crisis of blood, sweat and tears and psychologically they want to relax and celebrate.

More money and more leisure for all is the invitation to the coming era of "wine, women and song." The end of the quotation says that those who don't like these things are fools. Maybe those people who don't invest their money in businesses and industries related to them should be put in the same category. These have small labor factors in their costs, are subject to the minimum of regulations and are the greatest beneficiaries of reduced taxes and especially the elimination of the excess profits tax.

The fires are being lit. From them may come the sparks which will burn Rome. But, in the meantime, it looks as if we are in for a spree.

In a market which is historically high (prices have exceeded those of the present only once in the 1929 era), we find most common stocks selling on a ratio of 25 times earnings and yielding about 3%. Business indices are falling, national income declining and Europe, Asia and South America are going socialistic. The costs of many businesses are rising fast, as wages and materials will exceed all peacetime highs and taxes will be 38% against 15% (the peacetime high before World War II). These are factors which will have adverse effects on earnings for many companies.

While the stock market generally seems high and many individual securities are at dangerous levels based on present and past performances, we believe business will hold up for some time to come and therefore think the present an opportunity to switch from unfavorable situations into those that will benefit from the economic factors of the approaching era.

Barnett Rejoins Nat'l City Bank

The National City Bank of New York, 55 Wall Street, New York City, announces that George E. Barnett, Jr., recently released from active duty as a Lieutenant USNR, has resumed his position with the Municipal Bond Department of the bank.

Now J. F. Reilly & Co., Inc.

J. F. Reilly & Co., Inc., 40 Exchange Place, New York City is now doing business as a corporation. Officers are John F. Reilly, President and Treasurer; Frank J. McCall, Vice-President; Sydney Holtzman, Vice-President; and Robert A. Duncan, Secretary. All were formerly with J. F. Reilly & Co., of which Mr. Reilly was proprietor.

Chilean Inst. Assets Over $6 Million

Advices received from the Autonomous Institute for the Amortization of the Public Debt of the Republic of Chile reported that the total receipts of the Institute in 1945 available for debt service amounted to $6,897,157.

Of this amount, said the Institute, $2,243,827 represented the receipt from the Government's participation in the profits of Chilean Nitrate Iodine and Sales Corporation; $4,515,519 represented receipts of taxes on the profits of the copper enterprises; $53,696 the quota of duties on petroleum imported for the nitrate industry, and $84,113 the quota of duties on petroleum imported for the copper industry. The advices from the Institute Dec. 31 added:

Fifty per cent of the total receipts will be applied by the Institute under the terms of the Chilean Law to the payment of interest at the rate of $12.02 per $1,000 bond, dollars 0.28247 per 100 Swiss franc bond, and £ 1-4-0,48 per £ 100 sterling bond.

Restrictions on exchange operations which still prevail in some foreign markets as a result of the World War, have not permitted Caja to effect the conversions necessary to set up reserves in Swiss francs to meet the servicing of loans issued in this currency, which has compelled Caja to fix in American dollars the dividend corresponding to holders of bonds of the above mentioned loans and to maintain in this same currency the funds to cover the payments in due course.

Against the remaining 50% of the income collected, there have been retired $6,479,500 face amount of dollar bonds and £ 227,989 of sterling bonds and Swiss francs 15,000 face amount of bonds issued in that currency.

The amounts of bonds outstanding after the foregoing 1945 retirements will be $150,554,500 dollar bonds, £ 27,513,082 sterling bonds, and francs 108,647,500 Swiss franc bonds. The last of these balances has been further reduced by 1000 Swiss franc bonds. This reduction represents Swiss franc bonds amortized by the Municipality of Santiago in the year 1945. After such reduction, the outstanding bonds of the external debt in circulation in Swiss francs will be Swiss francs 108,646,500.

The interest disbursement declared is expected to be paid on or about Feb. 1, 1946, and will be applicable to the following bonds: All of the Republic of Chile External Bonds; Water Company of Valparaiso bonds; All Mortgage Bank of Chile bonds; Bonds of the Chilean Consolidated Municipal loan, and bonds of the two City of Santiago, Chile, loans.

V. T. Low Returns to Duties at Bear Stearns

Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that V. Theodore Low, recently released from active duty as a Lieut. Commander USNR, has resumed his activities as a general partner with the firm.

R. C. Winfield Joins A. G. Becker Dept.

A. G. Becker & Co., Incorporated, 54 Pine Street, New York City, announce that Robert C. Winfield has become associated with the firm in the Municipal Bond Department. Mr. Winfield was formerly with Phelps, Fenn & Co.

Whither Investment Banking?

(Continued from page 126)

whose real talents lay in other directions.

The survivors were seasoned veterans, men of experience and skill in their business, men who set aside their own interests to devote countless hours to Government Bond Drives and other patriotic endeavors, men around whom the business has rapidly regained its prestige.

Prestige Should Be Guarded

That prestige should be cherished and guarded. Investment banking is now largely a business of oldsters, it needs new blood, it must be attractive to the right type of young men, the type who will only come into a business that is basically sound. Without these men the business will perish and without a sound reputation it will perish anyhow, but earlier.

With a world trend toward socialism, the system of private enterprise and banking in the United States is hanging in the balance. In addition to its plan to nationalize the Bank of England, Great Britain's Labor Government has conceived the idea of a Board through which investment processes would be centralized. This Board would have full authority to determine the annual amount of private investment and allocation thereof among among industries.

Investment Bankers' Responsibilities

Our investment bankers have a dual responsibility, a responsibility to the public and, in self-preservation, a responsibility to themselves. Their business has but little chance of surviving another period of widespread public reproach regardless of the extent to which the true blame rests with them. Like Caesar's wife, they must be above suspicion.

There are elements in the present situation that merit sober thought. A public official has recently commented upon the prevalence of stockmarket tips. We in the business know that this is true. Hardly a day passes without its quota of golden opportunities. The investing public is avid for new ones. It is in funds and has the bit in its teeth. And the tips make good, at least marketwise, with advances that in some instances can only be termed spectacular.

Call it an inflation market, call it what you will. This is not intended as a market letter and the reader is entitled to his own opinion as to where the market is headed. But the investment banker reader should stop and think—if the present trend toward indiscriminate buying continues, John Q. Public will get hurt, and just as sure as night follows day, he will look for someone to blame, and that someone will be the banker. Then the banker will be right back in the position that he occupied during the Thirties, but this time he will be down for good.

In a spirit of self-preservation, therefore, in the public interest and in the interest of a continuation of our system of free enterprise and banking, the investment banker should use extreme caution in making recommendations at this level of the market. He should refrain from passing along tips unless, after careful investigation, he strongly favors the security in question. He should remember that an expected high level of industrial activity does not necessarily guarantee to all industries and companies their prewar profit margins. Neither will it endow with brains and ability industrial managements that before the war enjoyed a little success. Above all, he should remember the lessons of the past and discourage radical speculation. He would stress earnings and dividend return and talk down speculative movements in stocks. In doing this, his business may be a little less active today, but its promise for the future will be more assured.

Blair Opens St. Louis Office Under Thomas

ST. LOUIS, MO.—Blair & Co., Inc., announce the opening of an office at 418 Olive Street under the management of John R. Thomas. He was formerly with I. M. Simons & Co. for many years.

Lincoln Harris Forms Advisory Firm in St. Paul

ST. PAUL, MINN.—Lincoln S. Harris has formed Lincoln S. Harris & Co., Inc., with offices in the Pioneer Building to act as investment advisor. In the past he was connected with Shields & Co. in Chicago.

May, Gannon Incorporates

BOSTON, MASS.—May & Gannon, Inc., has been formed to continue the investment business of May & Gannon, 31 Milk Street. Officers are William F. May, President; Joseph Gannon, Vice-President; and William J. Burke, Jr., Treasurer. Officers were all partners of the predecessor firm.

Max T. Allen Resumes Investment Business

HAZELHURST, MISS.—Max T. Allen has resumed his municipal securities business under the firm name of Max T. Allen Company with offices in the Merchants and Planters Bank Building. He has recently returned from active duty in the U. S. Navy.

Rejoins Hickey & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Francis H. Buller** has rejoined **Hickey & Co., Inc.**, 135 South La Salle Street, after serving in the U. S. Army.

Stock and Bond Brokers, Banks, Commercial Firms and All Others Who Need Help

Let the War Veterans help solve your employment program. They form a gold mine of intelligent, capable, trained young men willing and anxious to work and build for the future.

Never before in the history of this nation has there been available such a rich reservoir of skilled, ambitious, aggressive manpower, well trained and qualified.

We are cooperating with the U. S. Government Veterans Placement Service who has a man for the position.

Write and tell us the positions that are available.

ALFRED W. MILLER, Chairman
Americanism Comm. Wall St. Post, No. 1217
American Legion, Federal Hall, 1 Pine St., New York, N. Y.

Savings Bonds in War and Peace

(Continued from page 126)

uted among so many millions of individual holders is healthy. It means that a large proportion of our people will be personally affected by, and therefore interested in, questions of public finance. This general interest of the public in the way in which the Government services and refunds its debt should contribute to a proper solution of the manifold problems involved. This meeting today, called to discuss some of the aspects of the problem, is evidence of the interest being manifested by thoughtful executives in trade and industry, as well as those in other lines of endeavor.

No Danger from Large Amount of Savings Bonds

Through the sale of savings bonds the Government has been successful in reaching millions of individual investors. Savings bonds have been a convenient and riskless medium for the small investor and have paid top rates of interest for individual savings. Early in the war-financing program there were some who opposed the sale of savings bonds because of the heavy demand liability that they placed upon the Treasury. I have never been impressed with that argument for the obvious reason that the Treasury has ample ability to meet any foreseeable demand that might develop. The Treasury can borrow on short notice and at favorable rates from commercial banks and from the Federal Reserve Banks. There is no question whatsoever that the Treasury may not be able to meet its obligations, however large they might be.

Contrary to the fears of those who were alarmed at a possible demand that might be made on the Treasury by the holders of savings bonds, redemptions to date have been reasonable in amount. To be sure, redemptions have been increasing but there has been no avalanche of redemptions at the end of the war as was expected by some. Redemptions, which amounted to about 400 million dollars per month at the end of the war, increased to somewhat over $500 million in August and amounted to $700 million in December. In view of the $48 billion of savings bonds outstanding in December, you can readily see that the amount of the redemptions to date has not been unreasonable.

Holders of savings bonds have been assured that they can get their money prior to maturity in case they wish to do so. Nothing has or should be done to cause holders of savings bonds to doubt that their funds will be readily available, and without question or embarrassment, should the bonds be presented for redemption. As a matter of fact, the Treasury and the Federal Reserve Banks have done everything possible to expedite the redemption of these savings bonds. I believe the fact that holders know and understand the Government's attitude in this matter has been a factor tending to reduce the actual amount of redemptions.

An Educational Thrift Program Needed

On the other hand, I feel that an educational program designed to encourage thrift and the holding of savings bonds by individuals as a reserve or insurance against the uncertainties of the future would be most helpful. The fact that savings bonds are now held by individuals who have never before accumulated savings might make many holders easy prey to all kinds of wildcat schemes. This development would not only cause the loss of well-earned savings but in the aggregate could add substantially to inflationary pressures. The investment advantages of savings bonds should continue to be advertised to the public. As compared with other Government securities, savings bonds have many features that other securities do not have. They bear a higher rate of interest—2.9% if held to maturity compared with 2½% for the longest term marketable securities and about 1½% for marketable securities with comparable maturity. They are redeemable at stated values, not dependent upon market fluctuations. The increase in the rate of interest that accrues by holding these bonds to maturity should be hammered home at every opportunity. As you know, the graduated schedule of redemption values on savings bonds provides for a relatively low return in the first few years but with much higher return in the final years. For example, with the 10-year maturity, the yield on United States savings bonds, based on redemption values, is over 4% after the fifth year.

Savings Bonds and Peacetime Economy

Savings bonds have made an important contribution to the war economy and they can make an important contribution to the stability of the economy during peacetime. From the standpoint of the economy as a whole the large amount of individual savings in the form of savings bonds can have a stabilizing influence upon monetary conditions and can help to defeat deflationary forces in case they should develop after the transition to peace has been accomplished. However, during the transition period, which we are now passing through, and at any time when there is a shortage of consumers goods available for purchase, large-scale redemptions and spending of the funds received would be extremely inflationary in their effect upon the general price level.

The Treasury has made a wise decision in continuing to issue and promote the sale of savings bonds. The sales pressure that has been exerted during the war is not necessary, of course, but many who have formed the savings habit will want to continue investing in these safe and sound securities. It is to be hoped that most of the firms and institutions will continue for some time their voluntary pay roll deduction facilities for the convenience of their employes. It seems to me that one effective way to reduce the amount of redemptions is to continue these savings plans, and also to continue advertising and educational programs which stress the investment qualities of savings bonds, but perhaps on a more modest scale and without the pressure that was exerted during the war.

After all, in the 170 years of this country's existence as a nation, it has never been a wise, long range policy to sell America short, and this is no time, of all times, to deny the obvious fact that with reasonable co-operation, wisdom and patience, this great country is on the threshold of a brighter and more enduring future than we have ever known, or even imagined, before.

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PHILADELPHIA, PA.—W. H. Bell & Co., Inc., 1500 Walnut Street, announce the association with them in the trading department of Charles L. Wallingford. Mr. Wallingford was formerly trading manager of the Philadelphia office of E. H. Rollins & Sons, Inc.

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James Patrick Gilligan and Robert Howe have been admitted to partnership in Gilligan, Will & Company, 2 Rector Street, New York City, members of the New York Curb Exchange.

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Baltimore Bond Club To Hold Annual Dinner

BALTIMORE, MD.—The Annual Dinner of the Bond Club of Baltimore will be held at the Hotel Belvedere on Friday, Jan. 18, 1946. Cocktails will be served at 6:30 P.M. and dinner will be served promptly at 7:30 P.M. Rivers Chambers and his orchestra will furnish entertainment.

Members will be furnished admission tickets promptly after receipt from them of their notice of acceptance. Guest tickets will be available at a price of $7.50. Members who have returned from the Armed Services will be furnished admission tickets upon the payment of $5.00.

Member and guest tickets may be obtained from LeRoy A. Wilbur, Stein Bros. & Boyce. The dead line for reservations is Tuesday, Jan. 15.

Conway, King Return to Bankers Bond

LOUISVILLE, KY.—The Bankers Bond Co., Inc., Kentucky Home Life Building, announce that P. M. Conway and Charles C. King have resumed their positions with the organization after their release from the armed forces.

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The News Behind the News

By PAUL MALLON

Despite Secretary Byrnes' Statement That the Moscow Agreements Is an Excellent Compromise of Difficult Divergent Views, Russia Has in Most Instances Gained the Position She Has Striven For.

WASHINGTON—Mr. Byrnes avows the Christmas season peace he made at Moscow is an excellent compromise of difficult divergent views—a 50-50 settlement. He is prejudiced. He made the agreement.

Paul Mallon

For Japan, a nation we conquered and occupied alone, there is to be established a Governing Commission of the so-called United Nations, each with a veto power. We are to surrender our control to other nations, including Russia.

But for the nations Russia conquered and occupied alone, there are to be no governing Commissions. We do not have a veto power in any. Nor does any other nation.

In Romania and Bulgaria, both enemy nations now in Russian hands. Mr. Stalin pronounced himself in favor of matters as they now stand, says our State Secretary. But Mr. Byrnes thinks he won something he considers as "concessions" by Russia in Bulgaria and Romania. As regards Bulgaria, the agreement says:

"The Soviet Government takes upon itself the responsibility of giving friendly advice to the Bulgarian Government."

There it will insist upon some additional leaders who "are really suitable" (?) and who will "work loyally" (!).

As soon as Stalin finds men who are really suitable and who will work loyally, then the United States and Great Britain will recognize that Government—but Mr. Byrnes says Stalin is already satisfied.

The rabbit is somewhat larger for Romania. "Free and unfettered elections" are advised there, "as soon as possible," and the reorganized government "should"—mark you, need not—but "should give assurances concerning the grant of freedom of the press, speech, religion and association"—none of which basic Atlantic Charter freedoms are mentioned for Bulgaria.

Mr. Stalin will let a Three-Nation Committee in to see things, and allow one representative of two parties get into the government somewhere.

Korea we split with Russia 50-50. China, we will withdraw from, leaving Chiang to survive Communist revolution if he can.

The conquest of Northern Iran by Russia is not mentioned; nor is Yugoslavia, already under Russian controls.

Mr. Byrnes says General MacArthur will have a free hand in Japan, but the agreement says otherwise. To the United Nations Commission is specifically entrusted all matters of "policies, principles and standards," which seems to cover everything.

While Russia has but one vote (and Britain six against our two on the Commission), any nation can veto any MacArthur act in practical effect, by demanding a "review."

Mr. Byrnes forgot to mention that we can act in emergencies "only following consultation and the attainment of agreement" in the Commission, even as to "fundamental changes in the regime of control."

As for the atomic bomb, Mr. Byrnes says we are to give away no secrets, but the agreement says that the United Nations Commission, which is to have charge is to proceed "with the utmost dispatch" to "exchange basic scientific information" between all nations, and even provide methods of inspection inside nations to protect against violations in the use of the bomb.

A seat for Russia is specifically provided on that Commission, and the Commission is to be set up by the Assembly of the United Nations meeting in London Jan. 7.

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Geo. Alberts Partner in C. A. Alberts

C. A. Alberts & Co., 70 Wall Street, New York City, announce that George Alberts has been admitted to general partnership in the firm.

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Hirsch Co. Admits Eising

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other exchanges, will admit Richard A. Eising to partnership as of today.

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Volume 163 Number 4454 New York, N. Y., Thursday, January 10, 1946 Price 60 Cents a Copy

Observations . . . .

By A. WILFRED MAY

This column wishes it could join in the contemporary satisfaction expressed over the results of the Treasury's recent Bond Drive. But a disservice is done to the country if we follow unwarranted complacency and fail to face the unpleasant fiscal facts. The New York "Times" editorially enthuses over the Victory Loan's receipts as "an outpouring of funds far surpassing anything in previous financial history." Actually, however, total sales were 20% less than in the previous Drive. Furthermore and of far greater significance than such overall sales—in view of the huge inflationary savings and income in private hands—are the sales to individual buyers. Such volume also fell by 20%; Series E Bond figures declining by no less than 44%.

The prevalent satisfaction with War Finance results evidently arises over the misconception that the achievement of **quotas** in itself is important. Actually quotas represent merely the War Finance Committee leaders' own advance "guess-estimates" of their likely achievements. As these goals in the last Drive were set at very low levels—relative both to previous results and to the contemporary monetary scene—they were achieved. Which proved nothing more than that the previous pessimistic forecasts of results were justified.

* * *

The generous use of inflationary bank credit in War Finance must not be overlooked. In the last Bond Drive the amount of bank credit, including government issues purchased by the Reserve Banks, remained at a very high level, and constituted a larger proportion of the net increase in government debt than during the previous Drives. According to estimates of the National City Bank, during the four years of war financing from 1942 through 1945, about 45% of the funds borrowed by the government was provided by the banking system. Commercial bank holdings of the national debt are estimated at $88 billion, or 32% of the total, with Reserve Bank holdings at $24 billion, or 9%.

* * *

"The foundation of our economic structure which will have to serve for generations" (the President's words opening his address to the country)—really will be largely indicated in his forthcoming 1946-47 budget going to the Congress next week. With industrial activity holding up so well, and with Federal revenues declining

(Continued on page 177)

The State of Trade

The decline in post-Christmas consumer spending the past week resulted in retail volume dropping far below that of the previous week. As compared with the volume for the corresponding week a year ago, it was higher, though in some cities it fell below the first week in January, 1945. The condition of inventories was unusually low even for this time of year and slow deliveries did not help the situation.

In the industrial field, production which has shown a gradual increase since mid-October, held fairly constant the past week despite the two-day shutdown by many plants on Monday and New Year's day. New orders continued to run heavy for many products, such as leather shoes, wool tops and yarn. The removal of tires from the ration list induced a flood of new orders for replacements of rubber that has long-since passed its safety and efficiency point. In the machine tool and contractors' equipment department backlogs of orders were especially large.

Small increases in employment and material supplies were reported for the week, but at the same time it was noted that because of parts shortages, a few lay-offs of workers occurred and in some cities strikes cut both production and employment considerably. The overall picture, however, shows little change in total employment and payrolls from the previous week. It is estimated that there are fewer than 3,000,000 unemployed today as contrasted with a figure of 6,000,000, which seemed much more likely at one time.

Turning to the field of manufacturing, the magazine "Business Week" in its current outlook states that such lines are making the important strides in industry. Continuing, it had this to say:

There are even cases, notably machine tools, in which output is declining and will decline further but still will break peacetime records.

Numbers of locomotives and freight cars on order (484 and 35,908 respectively, on Dec. 1) are not far from the levels of early 1941.

Production of farm machinery was rising toward the year end, should break 1941's peacetime records next year.

Many basic lines—steel, coal, transportation, electric power output—are humming along at the substantial if unspectacular 1941 rate.

Heavy industry's progress depends on the attitude of the unions and on the breaking of a few remaining bottlenecks.

Steel Industry — Consumers of steel, as well as steelmakers, are

(Continued on page 176)

Johnston Retires as Chairman of Chemical Bank & Trust Co.

Relinquishes Position After More Than 26 Years as Head of One of City's Leading Institutions. Began Connection as Vice-President in 1920 at Age of 39, and Remained in Varying Offices During Period of Chemical's Growth and Expansion. Will Assume Chairmanship of Executive Committee and Retain Directorship.

Percy H. Johnston

At the annual meeting of the shareholders of the Chemical Bank & Trust Company held Jan. 8, Percy H. Johnston, after more than twenty-six years as head of the bank, announced his retirement as Chairman as of January 10. At the request of the directors, he will take the Chairmanship of the Executive Committee. Mr. Johnston will remain as a director of the bank (in which he and his family have substantial interests) and have an office in the bank building.

Mr. Johnston began his banking career in his native town of Lebanon, Kentucky, as a clerk in the Marion National Bank. At the age of twenty-six, be became a national bank examiner, and when he was thirty years old he was

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*These items appeared in our issue of Monday, Jan. 7, on pages indicated.

The Financial Situation

There appears to be quite general disappointment with the President's much pre-publicized address to the American people late last week, but there is reason to doubt whether most of the critics are as yet fully cognizant of the inherent dangers in what he had to say and to propose. We have no way of knowing what "small groups" of Congressmen or Senators are doing behind closed doors to block or to delay the measures which the President is pressing upon the national legislature, but we have no hesitancy in saying that, in our view, Congress would do the country a service by steadfastly refusing to accept or to enact practically any of the program he so emphatically if unconvincingly urged upon it again last week.

The weakness of his claims for "fact-finding boards" with powers of subpoena is fully demonstrated by current experience. The fault is not that these boards can not command the employers to produce their books; in the case of General Motors, of which the President makes a point, the fact is that its past financial history is available in great detail even to the general public in any event, but is worth little or nothing in determining what costs and profits are to be during the next year or two. The trouble—so far as the cause of current unrest is not found in the aftermath of war and the repressions incident thereto—is the determination of monopolistic labor unions to make full use of what they consider to be their current opportunities, including those that come to it as a result of its privileged status with both the police and the legislatures throughout the country.

Price Fixing Harmful

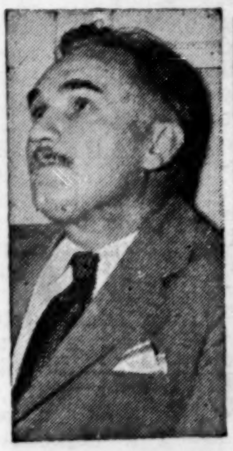
The difficulties of the situation are, of course, greatly increased by the fact that the government still insists upon

(Continued on page 172)

From Washington Ahead of the News

By CARLISLE BARGERON

If there was ever any doubt about America's resourcefulness, the initiative of its citizens; any question of whether we had lost the do or die spirit, or whether we still had that fight to survive, one has only to contemplate the struggle which Chester Bowles is putting up to continue his OPA. Our hearts went several months ago to a youngster in the armed forces, doomed to die, who wanted to get home first, and then to the heroic fight which he made. Words were written about it, millions of them. It was a story which gripped our imagination.



Carlisle Bargeron

But strangely enough there is little in the public prints, not of the human interest sort, of the struggle which Chester is making to preserve his OPA with its thousands of little bureaucrats under him. There is really something inspiring about it and we think it should be developed in all of its human phases so that it will show the kiddies how a determined man hangs on. It has a bearing, we think, on the doubts which are being expressed by some of our better known commentators, as to whether now that we have won the war, we will have the spirit, the tenacity to hang on to the peace. Contemplate Chester Bowles and his fight to keep from losing his job, and you will readily see that the tenacious American still exist. The foreign countries are watching us, we are told and parenthetically borrowing billions. But this giving of billions to them does not quite reassure them as to our permanency of intentions. If they want to see the stubbornness, the strong will, the determination that is inbred as our national characteristic, they look at Chester Bowles.

It so happens that the Congress of the United States, a foolish sort of thing, but nevertheless something we have always supported as being representative of the American people, their wants, their ambitions, their prejudices, has voted that OPA should go out of existence next June 30. To the ordinary man, if he were fired by such a potent body as this, he

(Continued on page 180)

What Price Gilbert and Sullivan!

"I will shortly call upon every community in the United States that has a housing problem to gird itself for immediate, prompt and effective action. If the housing problem is to be solved—and it must be—it will be solved by the American people themselves. The national government can only furnish the direction and the drive. These it will do. . . .

"I have no illusions about my task as housing expediter, and I have no promises to make that houses will spring up over night throughout the country. In housing, of all things, no miracles are possible.

"I do promise that, with all the vigor at my command, I will pursue the task of providing adequate houses for our people—especially for our returning veterans—as speedily as it is humanly possible to do. Where there are bottlenecks, they will be broken. Where there is red tape, it will be cut. The country in general and the veterans in particular are entitled to get action on this gravely pressing problem—and they will get action.

"Some of the programs that will be developed may be detrimental to the interest of some groups. In such cases, we will appeal to those groups to make a sacrifice in the national interest. This will be but a meager payment on the debt we owe to the men who have served in our armed forces—the men who fought for and preserved our freedom."—Wilson W. Wyatt.

All this would be rather good Gilbert and Sullivan comedy, were its cost to us all not so frightfully high.

Of course, there will be "effective action" in the housing situation quickly enough just as soon as conditions are permitted to attain a normal status—that is, when natural forces are permitted to operate free of governmental and monopolistic restraints.

Mr. Wyatt and the others, too, would do well not to hope for too much prior to that time.

Creation of Economic Commission Favored to Advise Government on Utilization of Resources

Creation of an Economic Commission to make advisory recommendations to Government for the fullest utilization of the nation's resources within the framework of a free and voluntary society is proposed by a committee of the Chamber of Commerce of the United States, it was announced by the Chamber on Jan. 7.

In putting forward the proposal, the Chamber's Committee on Economic Policy asserts that there are no simple or pat preventives or remedies for economic ups and downs, with accompanying fluctuations in employment, "Because our economic system is primarily and fundamentally a voluntary system, under which the consumer and the investor have freedom of action, and because we are deeply concerned with the survival of this freedom," says the Chamber committee, "we cannot expect that the wave-like movement of business activity can be promptly and completely removed."

The Committee does not take the attitude that nothing whatsoever can be done to check surges and recessions in the movement toward economic progress. It has a number of suggestions designed to assure an adequate supply of constant job opportunities. The proposals of the committee were published Jan. 7 at the direction of the Chamber's board of directors, for the information and consideration of the Chamber membership. Asserting that it sees the problem of economic advancement as not a single problem, but as one having a series of interrelated and highly complicated economic processes and problems, the committee says:

"The issues are so controversial and complicated that we recommend the appointment by the President of the United States by and with the advice and consent of the Senate of a permanent Economic Commission, composed of outstanding experienced citizens of unquestioned ability and integrity. These persons should be drawn from fields dissociated from politics and the interested parties. They should be appointed on a reasonably long-term basis, with staggered terms and subject to reappointment, with adequate compensation in order to draw the very best talent available."

The Chamber's advices also state:

The Commission would make quarterly and annual reports to a joint Senate-House committee and to the President, especially with a view toward recommendations "as to the inner consistency of Government policies and always with the objective in view of maintaining the full utilization of all of our resources, both human and physical within the framework of a free and voluntary society."

The Commission should be completely independent and it would make advisory recommendations. It should be available on call of the President or the joint Senate-House committee for recommendations on any matter pertaining to the problem of full utilization of resources, should be adequately staffed, should hold hearings, should set up advisory committees of business and other leaders, and should have the services of other Government agencies at its disposal, the recommendations asserted.

The committee program, developed after months of study, asserted that high levels of employment and production are expected for several years but pointed out that "whether these levels can be maintained after they have been attained is the crucial question." The answer to that question depends on three principal factors—restoration and maintenance of peace, the size of the normal demand for products, and maintenance of monetary stability.

"Who is responsible for the adequacy of jobs in a free society?" the Committee asks. "Clearly no one organization or group. **Job-making does not function in a vacuum.** Since job-**making is a voluntary** process we **must rely** on voluntary action **and incentives.** Wages are paid to **induce** working; profits are paid to induce production and, as a by-product, job-making. There must be a balance between these incentives. A scarcity of workers tends to be corrected by higher wagers; a scarcity of job-making talent should be rewarded with an enlarged expectation of profits. Competition in the goods and in the labor market should prevent the exploitation of the worker the consumer and the investor. Our efforts, whenever unemployment threatens, should be directed to those measures which will encourage the expansion of existing businesses and the increase in the number of business units. Were all our efforts directed at this objective such employment as exists soon would tend to disappear.

"To assure an adequate supply of job-opportunities several conditions must be met:

1. Durable peace and settled international relations; 2. A stable monetary unit and public confidence in the currency; 3. Reasonable taxation and settled tax policy; 4. Adequate expectations of rewards for undertaking the job-making risks; 5. Settled rules of the game to encourage long-term commitments; 6. Settled wage and labor policies; 7. Freedom of entry into the goods and labor markets and the preservation of the competitive motive; 8. Enough people who want to become employers.

President Signs Vets' Housing Bill

Emergency housing will be provided for families of servicemen and veterans under a bill signed by President Truman on Dec. 31, authorized an expenditure of $160,000,000 for the purpose. Among several measures approved by the President on that day, it was signed on board the Presidential yacht Williamsburg, anchored off Quantico, Va., the Associated Press stated in its Washington advices.

During consideration of the veterans' housing legislation, Senator James M. Mead (D.-N.Y.) told the Senate that the $160,000,000 plus $35,627 under the Lanham Act, would provide emergency shelter for more than 100,000 returning servicemen.

Tire Rationing Ended

Rationing of automobile tires, which began Jan. 5, 1942, ended at 12:01 a.m. on Jan. 1 this year by order of Price Administrator Chester Bowles, who in announcing the decision on Dec. 20, as reported by the Associated Press from Washington, said that the rationing program could be terminated "because production of tires, particularly passenger tires . . . has increased steadily during the past two months, reaching an output for this quarter of about 11,000,000." He added that it had been agreed between the OPA and the Civilian Production Administration that when production had reached this level, rationing could be discontinued.

Urging motorists and truck drivers to do everything possible to preserve the tires they use, Mr. Bowles emphasized that the end of rationing does not indicate an abundant supply, and he expressed the hope that dealers would not sell complete sets of tires to those who could get along with one or two during the next few months.

U. S. Proposal for Inter-American Defense Pact

A formal proposal has been issued to all American nations except Argentina by the United States for an inter-American military defense treaty, and it is expected to be discussed at the Rio de Janeiro meeting of Western Hemisphere Foreign Ministers scheduled for some time between March 1 and April 15. The State Department instructed United States Ambassadors in all Latin-American capitals, except Buenos Aires, to submit the proposals, the Associated Press reported from Washington, Jan. 2, and copies of the document were made available to Latin-American ambassadors in Washington.

An unofficial outline of the treaty, according to the Associated Press, contains proposals primarily for "consultations and collective measures" to be taken in the event of an act of aggression against any American State.

The United States proposes that the American republics "refrain in international relations from threat or any use of force against the territorial integrity or political independence of any states or in any manner inconsistent with the provisions of the United Nations Charter."

A State Department official disclosed, said the Associated Press, that although the United States had distributed its original draft of proposals for discussion at the Rio conference, there probably would be no official announcement until after the conference had taken place. The Associated Press it is learned from the New York "Times" gave the following as the unofficial outline of the projected United States treaty:

"Proposals for the provisions of the treaty envisaged in Part III in the Act at Chapultepec.

PREAMBLE

"In order to indicate the scope of the treaty, the Preamble should state that the Governments undertaking the treaty are desirous of strengthening the inter-American arrangements for preventing armed conflict involving any American States in order to contribute to the maintenance of individual and collective right of defense against armed attack until the Security Council [of the United Nations Organization] has taken action.

"The Preamble should deal with acts of aggression against any American State, consistent with the principles of the Charter of the United Nations.

"The high contracting parties agree to refrain in international relations from threat or use of force against the territorial integrity or political independence of any State or in any manner inconsistent with the provisions of the Charter of the United Nations Organization.

"The high contracting parties undertake that in event of a dispute between two or more of them they will seek, in accordance with Articles 2, 33 and 52 of the Charter of the United Nations, to settle such dispute by peaceful means in such a manner that international peace, security and justice shall not be endangered.

Armed Attack

"The high contracting parties agree that any armed attack against any State shall be considered as an act of aggression against all parties to the treaty. Each shall undertake to assist in meeting such an attack.

"The high contracting parties agree to undertake in the event of such an attack immediately to consult to examine * * * measures that may have already been taken in agreeing upon collective measures. Such agreement must be by two-thirds of the parties in consultation, with decisions becoming binding on all parties concurring.

"Measures agreed upon shall be taken until the Security Council [of the United Nations] has taken measures to protect international peace and security.

"Invasion of territory by the armed forces of any State shall constitute armed attack unless the use of these forces is in accordance with the Charter of the United Nations Organization.

Threat of Aggression

"Upon threat of aggression, the high contracting parties will consult, on the request of any one of them, to agree upon measures to be taken. Such agreement shall be by vote of not less than two-thirds of the contracting parties.

"These measures may include action described in Articles 41 and 42 of the United Nations Charter.

Procedures and Agencies

"Consultations and measures shall be carried out through agencies already in existence, or as may be hereafter established.

Obligations Under the United Nations Charter

"The Security Council of the United Nations Organization shall at all times be kept informed of measures and actions taken under this treaty.

"This treaty shall not modify the rights and obligations of the high contracting parties under the United Nations Organization.

Formal Articles

"The treaty shall be ratified as soon as possible by high contracting parties, and shall be placed on deposit with the Pan American Union.

"The treaty shall become effective when two-thirds of the signatory States have deposited ratification with the Pan American Union.

"The treaty shall remain in force indefinitely.

"The treaty can be renounced by any signatory in writing, such renunciation becoming effective one year after receipt by the Pan American Union of such denunciation."

UNO Gen. Assembly Delegates Sail

The first meeting of the General Assembly of the United Nations Organization is scheduled to be held in London, Jan. 10, and four of the five United States delegates, and an equal number of alternates, sailed to attend the conference on Dec. 31 aboard the liner Queen Elizabeth. Secrtary of State Byrnes, the fifth delegate, and the fifth alternate, Rep. Charles A. Eaton of New Jersey, are to follow at a later date. The delegates were accompanied by 120 advisers, technical experts, clerks, assistants and office help. Mrs. Franklin D. Roosevelt, the only woman delegate, made the remark before sailing that she thought the group was "facing a very grave responsibility." The American delegates, according to an Associated Press report from Washington, Dec. 29, have been instructed by the State Department to urge a prompt international study aimed at promoting freedom of the press.

After setting up procedure rules for the new world peace agency, the Preparatory Commission of the UNO ended its month-long session in London, on Dec. 23. A report from Ottawa, Dec. 28, stated, according to the Associated Press, that Canada's UNO delegation would consist of Justice Minister Louis S. St. Laurent as Chairman, together with Agriculture Minister James Gardiner, State Secretary P. J. Martin, Vincent Massey, Canadian High Commissioner in London, and H. Hume Wrong, Assistant Under-Secretary of State for External Affairs.

Evatt Hits Big Three's Control Plan for Japan

Strong criticism of the decisions reached at the Moscow Conference of Foreign Ministers on the future control of Japan was expressed by the Australian External Affairs Minister, Dr. Herbert V. Evatt, on his arrival in Sydney on Jan. 7. Dr. Evatt was in London at the invitation of the British Government when the first meeting of the Council of Foreign Ministers was held. Later he went to Washington where he led the Australian delegation at the opening sessions of the Allied Far Eastern Advisory Commission.

Herbert Vere Evatt

Dr. Evaett said that 10 nations which had taken part in the Pacific war were represented on the Advisory Commission. The only absentee was the Soviet Union. He continued: "Unfortunately all good results of this Commission are now threatened by the proposals of the Moscow Conference to give each of the four nations —Great Britain, America, Russia and China—the individual right to veto decisions of the Far Eastern Commission of 11 nations. This proposal is quite out of keeping with the spirit of the Advisory Commission. A veto would mean that each one of the four powers would be entitled to overrule the unanimous views of the remaining 10 nations. The Australian view has always been that the veto proposal is undemocratic and entirely indefensible in relation to the Commission. If this proposal is pressed by Soviet Russia, it will be most prejudicial to the continued success of the Commission."

Summarizing the results of this mission, Dr. Evatt revealed that Australia is to be given full opportunity to participate in both the European and Pacific peace settlements. This was the primary object of his visit to London. While in London Dr. Evatt urged that all Allied nations which had been active belligerents had a just claim to help frame the peace with the big powers. In particular, Australia suggested that all conclusions of the major powers on terms of the peace settlement, should be regarded as provisional only and should be submitted to a peace conference of all the belligerents for full and free discussion, or for review and amendment. These submissions were accepted in principle and were embodied in the proposals of the recent Moscow Conference.

Dr. Evatt said that both British Prime Minister Attlee and President Harry Truman had expressed a lively faith in the future development of Australian power and responsibilities in the Pacific. President Truman had asserted that Australia's future role must be one of full and active partnership with the leading Pacific powers. The British Government also was conscious of the fact that, in relation to the Far East and the Pacific, a special status must be accorded to Australia because it is an area in which the fate of her people will be ultimately determined.

Truman Has Quiet Xmas

President Truman spent Christmas at his home in Missouri, and returned to Washington by plane on Dec. 28, in weather which made flying hazardous. Shortly after his return he sailed with a group of of White House advisers for a trip in the Presidential yacht on the Potomac, during which he prepared the speech for broadcasting to the nation in Washington on Jan. 3.

Newsprint Controls Lifted Dec. 31

Newsprint controls, excepting inventory restrictions, were lifted Dec. 31, Civilian Production Administrator John D. Small announced. Mr. Small in his announcement on Dec. 21 regarding the proposed ending of controls at the close of the year, said:

"The decision to eliminate newsprint control through the revocation of the newsprint order has been based on the recent recommendations of the Special Newsprint Committee of the American Newspaper Publishers Association, the Newpaper Industry Advisory Committee and the Boren Congressional Committee on Newsprint, and on the statement issued by the American Newspaper Publishers Association, on Nov. 28, 1945." The first two committees, it was pointed out, represent a cross-section of the newspaper publishers and include representatives of both large and small newspapers.

From Mr. Small's announcement we also quote:

"The American Newspaper Publishers Association issued the following statement on Nov. 28, 1945: 'The newspapers of the United States will see that no newspaper suspends publication for lack of newsprint after Government control on consumption ends on Dec. 31, 1945. This was the decision reached today at a conference in New York City of representatives of regional and state newspaper associations from all parts of the country. There was an unanimous expression that the newspapers would meet problems of newspapers faced by suspension because of lack of newsprint through regional and state plans handled on what has been worked out by the New England Daily Newspaper Association.'

"The supply of newsprint in 1946 is expected to be 98% of the 1941 supply. While this is not adequate to meet demands, it is considered sufficient to warrant revocation of the order in view of the recommendations of the industry. Newsprint supplies for the first half of 1946 were estimated by Civilian Production Administration officials at approximately 1,935,000 tons, which they said would be equal to 98% of the newsprint used in the same period in 1941. Approximately 1,500,000 tons of the newsprint supply is expected to come from Canada, 335,000 tons from domestic production and 100,000 tons from Newfoundland."

"Wherever materials are scarce," the Civilian Production Administrator said, "the supply must be spread out and inventory controls continue. In most cases of scarce materials there may be enough to take care of minimum needs of all, but not enough to permit some purchasers to buy all they would like. There is an obligation on both buyers and sellers in such cases to be fair."

Mr. Small emphasized that in the event the voluntary plan breaks down and newspapers are threatened with suspension of publication, his agency will act promptly to reinstitute newsprint controls either through a general order or through the use of the priorities power in special cases.

His advises also said: "In order to prevent any unreasonable accumulation of the available supply, inventory control will be continued, it was stated, through an amendment to Priorities Regulation 32 limiting newsprint inventories to 25 days' consumption in the Eastern and Central States and 45 days in the Western States based on the average daily consumption in the last six months of 1945. Any newspaper will be permitted to maintain an inventory of 60 tons.

"The newsprint control order was issued on Jan. 1, 1943, when it became apparent that the supply would be far below requirements.

"It can be said that the order has been operated with success during the war years, inasmuch as no newspaper was forced to suspend operations for lack of newsprint," Mr. Small said. "The supply was spread out as equitably as possible at all times. Extra-quota grants were allowed in hardship cases to the extent that newsprint was available."

Final Step in Unfreezing of Norse, Finn Assets

Secretary Vinson announced on Dec. 29 that the final step in the unfreezing of Norwegian and Finnish assets through the issuance of General License No. 95. It was pointed out that General License No. 94 issued on Dec. 7 (referred to in our Dec. 13 issue, page 2924) removed the controls over current transactions with these countries but did not lift the restrictions on existing blocked accounts.

The advices from the Treasury Department on Dec. 29 also stated: "Today's license provides for the release of Norwegian and Finnish blocked accounts through a certification procedure similar to that already in effect for French and Belgian accounts. Investigations will be made by the Norwegian and Finnish authorities of the ownership of blocked property to determine that there are no enemy interests in the property and that it is otherwise eligible for certification under the license. Once property has been certified it will no longer be regarded as blocked.

"The new general license has also been made applicable to France and Belgium, since it is broader in some respects than the defrosting licenses already issued for these countries. The old licenses, General Licenses Nos. 92 and 93, were revoked today, but certifications made under them will remain fully effective. All current transactions with France and Belgium are covered by General License No. 94.

"Other liberated countries will be included under the new license as defrosting negotiations with them are completed. Substantial progress has been made in this direction.

"The certifying agents designated by the governments of the four countries presently named in General License No. 95 are: for France, Office des Changes; for Belgium, Institut Belgo-Luxembourgeois du Change; for Norway, Norges Bank; and for Finland, Bank of Finland.

"General License No. 95 was made available to Norway and Finland after exchanges of letters between the Norwegian and Finnish Ministers of Finance and Secretary Vinson similar to those written in connection with the French and Belgian defrosting licenses.

"Both the Norwegian and Finnish Ministers of Finance have advised Secretary Vinson that, with respect to assets in their countries belonging to nationals of the United States, no action will be taken that would be discriminatory in relation to measures applied to assets of nationals of any other country and that no sequestration measures are in effect in their countries on property of United States nationals. Exchange control restrictions of both Norway and Finland will be liberalized to permit transfers from those countries to the United States to the fullest extent consistent with their foreign exchange position."

Price Controls Seen Cause of Butter Shortage

Blaming unreasonable Government price controls for the present butter shortage, the manager of the American Dairy Association, Owen M. Richards, called upon the industry on Jan. 6 to make a demand on President Truman to "bring out the full story of today's nation-wide butter famine," according to special advices from Chicago on that date to the New York "Times" which went on to say:

December production of 66,000,000 pounds of butter was the lowest since 1920, and current production is 27% below the low levels of a year ago.

Receipts are off as much as 50% from the 1940-41 average at the markets; he pointed out. Continuing, he said:

Butter will not return to American tables under present price policies. "The wholesale price ceiling on butter is still 46 cents a pound although the cream used to make it costs 60 to 72 cents. Under this policy, the more butter you make, the more money you lose.

Secretary of Agriculture Anderson has recommended that the butter price ceiling be raised 13 cents a pound, but the change must be made by Chester Bowles, Price Administrator, or John C. Collett, stabilization director, Mr. Richards said and added:

The Government's do-nothing price policy is causing the worst kind of inflationary black market. Black market butter is selling at $1 to $1.25 in New York. Present price policies make it inevitable that bootlegging and black marketing should flourish. The acute butter shortage has loosed the very spiral of runaway inflation most feared by the nation."

It was also noted in a Washington dispatch Jan. 6 to the New York "Times" that the statement was made on Jan. 5 by Albert Rich, business manager of the Butter and Egg Merchants Association, Inc., that unless official Washington takes some immediate and positive steps to correct present conditions, civilian butter supplies soon will drop to an all-time low. In part, these advices added:

Butter production, which should be on the upswing after Thanksgiving, is decreasing rather than increasing, he said. In the last week in December, he pointed out, only 14,500,000 pounds of butter were produced by creameries throughout the country, as against normal production of 32,000,000 pounds for the week.

Failure of the Federal Government to take action to head off the growing butter shortage was characterized by Mr. Rich as "a national disgrace." He called upon consumer organizations to make themselves heard if they expected to get even a meager allotment of butter.

In Washington, the Department of Agriculture has allotted 369,000,000 pounds of butter for civilian use for the January-March quarter, a drop of 30,000,000 pounds from the final quarter of 1945. The Washington Food Report points out that this puts American citizens on the shortest butter ration since war shortages developed and means less than one pound a person a month.

Mr. Rich blamed the Department of Agriculture principally for the growing scarcity in butter supplies because of its refusal to approve a ceiling on butter fats.

The Government permitted the price of butter fats to rise from 60 cents to $1 a pound since the middle of last October, he said. The Government knew eight weeks ago that butter manufacturers cannot pay over 60 cents a pound and produce. The Office of Price Administration wanted a ceiling on butter fats but the Department of Agriculture would not approve it.

During the war there was a restriction on butter fats for the manufacture of ice cream and other dairy products. This was lifted in November. We have made a check of consumers and found that they want butter rather than ice cream and other dairy products. Butter production is now 50% under prewar levels and dropping, while every other dairy product is up from 25% to 100%.

Justice Dept. to Help Combat Juvenile Delinquency

Juvenile delinquency in the United States has increased to such proportions that the Attorney General, Tom C. Clark, has initiated a plan to enlist state, county and city governments, as well as public-spirited citizens, in an effort to combat the situation. A volunteer panel or council is to be selected to act in an advisory capacity with the Justice Department in handling teen-agers who violate Federal laws. As reported in a special dispatch to the New York "Times" from Washington on Jan. 3, the department and panel will make an intensive survey and review of the entire field of juvenile crime and its services and resources will be made available to every accepted organized agency in the country interested in the problem.

Mr. Clark said that the Justice Department had already received numbers of interesting comments and suggestions for making the program a success, and that scores of nominees had been suggested for the panel, which will be selected this month.

President Truman wrote the Attorney General a letter expressing his concern regarding the delinquency problem, and endorsing Mr. Clark's proposals for meeting it. In Washington advices Jan. 3 to the New York "Times" it was stated:

"Mr. Clark is encouraging United States attorneys to experiment with the deferred prosecution plan for youthful offenders now operating in Eastern New York and popularly known as the Brooklyn Plan.

"Records indicate, he said, that 70% of adult criminals had been delinquent in their youth. Some authorities believe that much of the 'juvenile' legislation has been designed primarily to facilitate proceedings in the prosecution of youthful offenders, thus making the future welfare of such offenders secondary.

"Under the Brooklyn Plan, Mr. Clark explained, prosecution might be delayed, with offenders provisionally released under probationary supervision. Those deemed worthy would thus escape the stigma of a possible conviction if they lead exemplary lives thereafter."

Chase Bank Entering Consumer Credit and Personal Loan Field

To broaden its services to the public, the Chase National Bank of New York announced on Jan. 2 that a consumer credit department is being organized for the bank's head office and 27 branches in New York City and will be in operation within a few weeks. These new lending facilities, it was announced, will make credit available at reasonable rates to individuals to meet various personal requirements and also will accommodate small businesses which prefer to utilize bank credit on an instalment payment basis. It is expected that headquarters for the new department will be established in the midtown district.

The Financial Situation

(Continued from first page)

fixing the price of the products of the employers thus embroiled in struggles with their employees. Producers would in any event, we suspect, feel a great reluctance to raise the prices of their goods, knowing that as always a risk of consumer resistance would definitely be present, but with very questionable freedom to adjust their prices as future circumstances direct, employers are naturally most reluctant to permit their costs to rise at all if they can by any means avoid it. Of course, difficulties of this sort are in no way reduced by fact-finding boards or the like.

What was, and still is, needed from the White House is a ringing statement, first of all, to the effect that labor unions and the members thereof must like everyone else in the country obey the law of the land, and that until the unions govern themselves accordingly, they need expect no sympathy, aid or comfort from the Nation's Government. Such a proclamation should likewise make it clear that as soon as suitable ways and means can be determined the labor unions of this country must be required by law to refrain from abusing privileges now theirs, and that the nature of such legislation and the degree of rigor to be incorporated in it must depend upon the willingness and ability shown by such organizations to bring their behavior into conformity with the reasonable requirements of public policy. Legislation of a constructive nature likely to be of much avail in the existing situation is not likely to reach the statute books, or in any event to be of much assistance in the present crisis, but a strong stand by the President at this time might very well be of much assistance to the cooler heads among union leaders.

Other Dangers

But it is in other directions that the President's address gives us much uneasiness. The Chief Executive not only failed to be really constructive in respect of the labor situation, not only again insisted upon remedies which clearly are impotent or worse, but showed strong evidence of yielding to those groups which, under his predecessor, plunged us into a muddled sort of "managed economy" and which would doom the country indefinitely to such controls, such intermeddling by government, and such restrictive policies toward business. Wittingly or not, he is now making use of the infirmities of the existing situation to plead for a continuance of the basic causes of these difficulties.

Turn to the record. We quote:

> We are all anxious to eliminate controls just as rapidly as we can do so. The steps that we have already taken show that. But price and rent controls will have to be maintained for many months to come, if we hope to maintain a steady and stable economy. The line must be held. I shall urge the Congress after it reconvenes to renew the act as soon as possible and well in advance of its expiration date, June 30, 1946.
>
> Price control is only one of the war powers which require extension. Another is the Second War Powers Act, recently extended for six months instead of a year as I requested. Since we already know that war-born shortages of certain materials will surely plague us after June 30 of this year, when the extended law will expire, the law should be extended again now. If this is done, all businessmen will know that short materials will continue to be fairly controlled and distributed. Unless we do this now, controls will begin to break down in a short time. . . .
>
> One essential part of our program, designed not only to tide us over the reconversion period but also to carry us to our goal of full production and a higher standard of living, is the adoption of full employment legislation. . . .
>
> One of the measures which I have been urging upon the Congress ever since May of last year is that the Federal Government make provision to supplement the unemployment insurance benefits now provided by the different States. . . .
>
> I have also asked that the Congress raise substantially the amount of minimum wages now provided by law. There are still millions of workers whose incomes do not provide a decent standard of living. We cannot have a healthy national economy so long as any large section of our working people receives wages which are below decent standards. Although hearings have been held on this question in the Congress, no action has been taken. . . .
>
> And so it goes with measure after measure now in the Congress. Time is running out. There are also other problems: comprehensive scientific research, universal training, a health and medical care program, an adequate salary scale for Federal employes, the Presidential succession, river valley development and others.

Now as to all this let it be said:

(1) That shortages and all the dangers that go with it, far from being remedied or relieved by controls, are promoted and prolonged by them.

(2) That dangers of inflation are enhanced, not eliminated or reduced, by controls of the sort to which the President refers.

(3) That a stable economy at high levels of production and employment will not be promoted by the measures recommended by the President. Indeed it would not be going too far to say that the President could scarcely find means more likely to interdict the development of the very things he says we must have.

(4) The President has now so far committed himself that he must be set down irrevocably as a New Dealer through and through. Effective opposition is imperative.

War Sec'y Clarifies MacArthur's Position

Although Secretary of State Byrnes asserted on Dec. 31 that the Allied Control Plan for Japan adopted at the recent Moscow Conference of Foreign Ministers preserves the authority of Gen. Douglas MacArthur as Supreme Allied Commander, it was reported from Tokyo on the same date, according to the Associated Press, that the plan has already caused confusion among the Japanese and may result in a slackening of Japanese efforts to put into effect directives already issued. General MacArthur bluntly stated that he had not been consulted during the Moscow conference, and that on Oct. 31 he had expressed final disagreement of the control plan in a radio message to the Chief of Staff for the Secretary of State; in this message General MacArthur said he advised that the terms "in my opinion are not acceptable."

On Jan. 1 Secretary of War Robert P. Patterson told a press conference at Honolulu that General MacArthur properly had no voice in making foreign relations policies, and that the War Department did not consider it necessary that the General be advised in advance of Big Three occupation policies for Japan, according to Associated Press Washington advices. Mr. Patterson would not estimate how long American troops might have to remain in Japan and Germany, or how many men will be required. Mr. Patterson was also quoted as follows in the Associated Press accounts:

"There still remains the job of disarming the beaten nations," he said, "and carrying out a demilitarization program, along with political and social reforms, to destroy these nations' warlike tendencies. It is not a matter of days or weeks or months, but I can't say how many years."

As for China, Mr. Patterson said American troops will be kept there until China is able to handle her internal problems without American aid.

Appointments in Chicago Reserve and Detroit Branch

It is made known by the Federal Reserve Bank of Chicago that the Board of Governors of the Federal Reserve System announced on Dec. 31 the following appointments and designations:

Federal Reserve Bank of Chicago—Simeon E. Leland, Chairman, Department of Economics and Professor of Government Finance, University of Chicago, Chicago, Ill., redesignated as Chairman and Federal Reserve Agent for the year 1946; W. W. Waymack, Editor and Vice President, The Register and Tribune, Des Moines, Iowa, reappointed a Class C director for a three-year term commencing Jan. 1, 1946, and redesignated as Deputy Chairman for the year 1946.

Detroit Barnch — Prentiss M. Brown, Chairman of the Board, The Detroit Edison Company, Detroit, Mich., appointed a director for a two-year term commencing Jan. 1, 1946.

The Board of Directors of the Federal Reserve Bank of Chicago has announced the following appointments:

Member Federal Advisory Council — Edward E. Brown, Chairman, The First National Bank of Chicago, Chicago, Ill., reappointed for the year 1946.

Director of the Detroit Branch —Charles T. Fisher, Jr., President, National Bank of Detroit, 'Detroit, Mich., appointment for a two-year term commencing Jan. 1, 1946.

Items About Banks, Trust Companies

The statement of the Chase National Bank of New York for Dec. 31, 1945 made public Jan. 3 shows total resources of the bank at the end of the year were $6,092,601,000 a figure higher than on any previous reporting date. This figure compares with $5,160,004,000 on Dec. 30, 1944. Deposits, also at a new high figure for any reporting date, amounted to $5,742,180,000 compared with $4,835,219,000 on Dec. 30, 1944. Cash in the bank's vault and on deposit with the Federal Reserve Bank and other banks amounted to $1,366,233,000, compared with $900,689,000 a year ago; investments in United States Government securities, $3,078,103,000, compared with $2,899,834,000; loans and discounts $1,271,694,000, compared with $1,041,046,000.

On Dec. 31, 1945 the capital of the bank was $111,000,000, unchanged from a year ago. The surplus on Dec. 31, 1945 was $139,000,000 compared with $124,000,000 a year ago and reflecting the transfer of $15,000,000 from undivided profits to surplus on Dec. 26, 1945. Undivided profits, after that transfer of $15,000,000 and after deducting dividends payable of $5,920,000 amounted to $50,240,000 on Dec. 31, 1945 compared with $49,800,000 on Dec. 30, 1944. Total capital funds were $300,240,000 on Dec. 31, 1945, compared with $284,800,000 a year ago. Net earnings of the bank for the year 1945 were $3.59 per share compared with $3.01 in 1944. Net current operating earnings were $2.36 per share in 1945, compared with $2.54 in 1944, and net profits on securities were $1.23 in 1945, compared with $.47 per share in 1944.

Statement figures issued Jan. 3 by The National City Bank of New York show new high figures for total resources of $5,434,372,600 or an increase of $964,686,135 over Dec. 31, 1944. Total deposits are $5,143,422,244 against $4,205,072,012 last Dec. 31. In this total, United States War Loan deposits are up $389,164,239 in the Bank's total deposit increase of $938,350,232. Holdings of United States Government obligations are reported at $2,773,488,249 compared with $2,409,240,200. Cash and due from banks and bankers is $1,102,106,681 against $871,882,874, the increase being due to larger required reserves at the Federal Reserve Bank against increased deposits. Loans and discounts are $1,233,843,937, an increase of $332,439,694 during the year. As previously announced $20,000,000 was added to surplus of the bank at the year-end, bringing it up to $142,500,000. Undivided profits are $29,294,238 compared with $28,610,465. Capital is unchanged at $77,500,000.

The City Bank Farmers Trust Company, the stock of which is beneficially owned by the shareholders of the bank, reports total deposits as of Dec. 31 as $165,235,022 compared with $159,973,276 a year ago. Total resources are $196,968,037 against $189,490,753. Cash and due from banks amounts to $29,870,345 compared with $28,201,735. Holdings of United States Government obligations total $154,851,446, an increase over Dec. 31, 1944 of $7,812,753. Capital and surplus were unchanged at $10,000,000 each and undivided profits were $7,221,636 compared with $6,332,967 the previous year.

The total of deposits for the bank and the trust company together as of Dec. 31, 1945 amounted to $5,308,357,266 and the total of assets to $5,631,340,637 as compared with corresponding totals at the end of 1944 of $4,365,045,288 and $4,659,177,218 respectively. The total capital funds of the bank and the trust company together were $276,515,874 as of Dec. 31, 1945, or $44.60 per share of the 6,200,000 shares outstanding compared with $254,943,432 or $41.12 per share as of Dec. 31, 1944.

Unallocated reserves which are deducted in arriving at the published asset figures together with other reserves, including values of assets in excess of book values (but exclusive of market appreciation on the bond account), total approximately $40,000,000.

The earnings of The National City Bank of New York and the City Bank Farmers Trust Company combined for the year 1945 and for 1944 are as follows:

	1945	
	Amount	Per Sh.
Net curr. oper. earns.	$17,592,420	$2.84
Net prof. from sales of securities	7,933,533	1.28
	$25,525,953	$4.12
	1944	
	Amount	Per Sh.
Net curr. oper. earns.	$16,443,035	$2.65
Net prof. from sales of securities	7,471,339	1.21
	$23,914,374	$3.86

These earnings in both cases do not include recoveries which were transferred to reserves. In the case of the trust company profits from sales of securities were also added to reserves.

The statement of condition of Guaranty Trust Company of New York as of Dec. 31, 1945, shows total resources of $3,813,507,042, as compared with $3,826,161,882 on Dec. 31, 1944. Deposits are $3,309,452,507, as compared with $3,441,036,641 a year ago; U. S. Government obligations total $2,059,320,457 as compared with $2,362,481,367; and loans and bills purchased total $960,041,680, as compared with $826,356,970. Capital and surplus remain unchanged as $90,000,000 and $170,000,000, respectively, and undivided profits of $52,673,255 compare with $42,222,571 on Dec. 31, 1944.

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J. P. Morgan & Co., Inc., New York City, reported as of Dec. 31, 1945, total deposits of $728,989,369 and total assets of $796,829,269, compared respectively with $727,235,954 and $793,153,927 on Sept. 30, 1945 and $756,549,777 and $816,596,609 a year ago. Cash on hand and due from banks is shown at $137,208,564 in the present statement against $134,985,701 three months ago and $128,580,742 a year ago; holdings of U. S. Government securities are now $467,984,871 compared with $499,822,781 in September and $535,055,436 a year ago; loans and bills purchased are shown at $150,389,137 against $112,748,065 three months ago and $116,959,509 on Dec. 31, 1944. Capital and surplus remained unchanged from last year at $20,000,000 each, while undivided profits increased to $6,378,367 in the current report against $5,818,923 three months ago and $4,429,102 a year ago.

The First National Bank of the City of New York, in its report of condition at the close of business on Dec. 31, 1945 shows total resources of $1,011,960,488 and total deposits of $800,221,214, compared with $1,150,059,668 and $995,069,291 on Sept. 29, 1945 and $1,170,656,363 and $983,652,217 a year ago; cash and due from Federal Reserve banks and other banks, including exchanges, is listed at $136,391,825, against $144,856,700 three months ago and $140,114,061 on Dec. 31, 1944; holdings of U. S. obligations are shown at $648,875,777, compared with $763,105,970 and $805,569,801; loans and discounts are now $124,979,782 as against $126,183,033 while they were $120,203,124 last year; capital and surplus remained unchanged at $10,000,000 and $100,000,000 respectively. Undivided profits on Dec. 31, 1945 are given as $23,378,671 after making provision for the Jan. 2 dividend of $2,000,000 compared with $22,046,514 on Sept. 30 after making provision for the Oct. 2 dividend of $2,000,000 and against $19,087,153 after providing for the Jan. 2, 1944 dividend of $2,000,000.

In its statement for Dec. 31, 1945 the Chemical Bank & Trust Co. of New York reported deposits of $1,524,160,575, compared with $1,393,753,587 on Dec. 31, 1944, and total assets of $1,637,503,776, compared with $1,500,836,755 a year ago. Cash on hand and due from banks amounted to $258,593,487, compared with $252,018,057; U. S. Government obligations to $790,555,298 against $833,557,275; bankers' acceptances and call loans to $171,435,856 against $77,035,291 and loans and discounts to $275,847,577 against $198,159,376. Capital stock shows an increase from $20,000,000 to $25,000,000 as a result of the 25% stock dividend approved by the stockholders at a special meeting held Oct. 31, 1945. On Nov. 1, 1945, $5,000,000 was transferred from unallocated reserves to undivided profits after which $10,000,00 was transferred from undivided profits to surplus. As of the close of business Nov. 10, 1945, $5,000,000 was transferred from surplus to capital, representing the stock dividend. The bank now has capital of $25,000,000, surplus of $65,000,000, undivided profits of $10,050,615 and unallocated reserves of $2,050,013 or total capital funds of $102,100,628. The indicated net earnings on the basis of the bank's new capitalization of 2,500,000 shares (par $10) amounted to $3.31 per share for 1945 as compared with $2.69 for the preceding year. The regular dividend of $1.80 per share was continued.

The Irving Trust Company of New York in its statement of condition as of Dec. 31, 1945 reported total resources of $1,428,354,898 compared with $1,262,589,365 last year, and total deposits of $1,303,269,219 (including official checks of $25,349,695) against $1,141,041,213 a year ago. Cash on hand and due from banks on Dec. 31, 1945 is shown to be $271,510,231 compared with $212,081,108 in Dec., 1944; U. S. Government securities in the latest report amounted to $841,113,588 against $747,793,042 on Dec. 31, 1944. The capital of the bank has remained unchanged during the year at $50,000,000, while the surplus and undivided profits has increased from $58,303,328 a year ago to $60,411,340 on Dec. 31, 1945.

At its meeting on Jan. 2, the Board of Directors of Bankers Trust Co. of New York declared a dividend of 45 cents a share on its capital stock, to be paid April 1, 1946, to stockholders of record at the close of business Mar. 9, 1946. This compares with the quarterly rate of 35 cents a share which has been declared during the preceding four years. If this rate is maintained, the dividends paid by Bankers Trust Co. will be at the annual rate of $1.80 a share on the present 3,000,000 shares of stock outstanding, or $5,400,000 a year.

The company's statement of condition as of Dec. 31, 1945, shows total capital funds of $143,317,050, in comparison with $137,344,871 a year prior, representing an increase of $5,972,179. The balance of $15,403,263 in the general reserve account, which appears on the statement for the first time, reflects an increase of $4,543,711 over the figure reported for Dec. 31, 1944. Total resources amounted to $1,921,945,613, as against $1,907,634,889 at the end of 1944, and total deposits of $1,749,590,469 compare with the Dec. 31, 1944 figure of $1,726,073,557, with U. S. Government deposits showing a decrease of $184,007,602. Holdings of U. S. Government securities declined from $1,070,428,793 to $894,686,409, while loans and bills discounted increased from $444,931,344, to $568,440,375.

The statement of condition of Manufacturers Trust Co., New York, as of Dec. 31, 1945 shows deposits of $2,555,885,573, which include U. S. Government War Loan deposits of $477,891,759. On Dec. 31, 1944 deposits were $1,991,382,142, which included U. S. Government War Loan deposits of $300,866,524. Resources on Dec. 31, 1945 were $2,693,184,469, as compared with $2,100,298,087 a year ago. This is the first time that Manufacturers Trust Co. has shown resources in excess of 2½ billion dollars in a published statement.

Cash and due from banks is listed at $609,972,505 on Dec. 31, 1945, as against $445,668,127 12 months ago. U. S. Government securities stand at $1,507,987,636; a year ago they were $1,205,104,026. Loans, bills purchased and bankers' acceptances are now $480,489,936, which compare with $367,338,389 on Dec. 31, 1944. Capital funds as of Dec. 31, 1945 are shown as: Capital, $41,250,000; surplus, $41,250,000, and undivided profits $30,637,361.

Bank of the Manhattan Co. of New York reported as of Dec. 31, 1945, total deposits of $1,290,314,214 and total assets of $1,359,074,439, compared, respectively, with $1,076,784,705 and $1,144,220,751 as of Sept. 30, 1945. Cash on hand and due from banks amounted to $305,697,449 on Dec. 31, 1945, against $209,890,912; holdings of U. S. Government obligations $604,254,742 against $513,962,468. Loans and discounts are now reported as $388,178,059 compared with $356,888,553. Capital remained at $20,000,000, with surplus unchanged at $30,000,000. Undivided profits after reserve of $600,000 for quarterly dividend increased to $10,526,174 compared with $9,692,443 at the end of September.

Williamson Pell, President of the United States Trust Co. of New York, announced on Jan. 2, at the annual stockholders' election, that net operating earnings for 1945 amounted to $1,856,892, compared with $1,886,265 for the previous year. In addition to these earnings, profits from the sale of securities after taxes amounted to $460,398 compared with $675,636 in 1944. Dividends totalling $1,400,000 were paid during the year, $223,220 was transferred to general reserve, and $158,672 was added to undivided profits. The book value of the banking premises was written down by $125,000, of which $75,000 came from earnings and $50,000 from reserves. Mr. Pell reported that income from fiduciary operations, including corporate trust fees, totalled $2,418,958, while income from invested assets amounted to $2,141,652. As of Dec. 31, total resources were $178,537,110 against $160,712,624 on Sept. 30; deposits of $140,355,195 compared with $128,000,750; Government holdings were $83,238,320 against $93,659,761 and loans amounted to $48,517,885 compared with $23,964,412. Capital and surplus totalled $28,000,000 and undivided profits were $2,709,917 compared with $2,606,545 on Sept. 30. The average maturity of the company's investment portfolio was 5 years and 9 months to earliest call dates and 7 years and 7½ months to maturity. Williamson Pell, John P. Wilson, James H. Brewster, Jr., and Edwin S. S. Sunderland were reelected trustees for a further term of three years.

The Public National Bank and Trust Co. of New York announced in its year-end statement of condition that total deposits as of Dec. 31, 1945 amounted to $545,497,980 and total assets to $579,536,018, compared respectively with $415,525,107 and $441,608,844 at the end of last year. Cash on hand and due from banks in the recent statement was $102,852,117 against $75,955,645 on Dec. 31, 1944; holdings of U. S. Government securities amounted on Dec. 31, 1945 to $324,192,674 compared with $257,941,964 a year ago; loans and discounts are now $136,793,240 against $96,041,908 at the end of 1944. The capital and surplus on Dec. 31, 1945 total $22,000,000 as compared with $16,000,000 on Dec. 31, 1944. This increase in capital stock reflects a stock dividend of $700,000 paid Feb. 1, 1945, and the acquisition of $1,925,000 on Dec. 28, 1945, from the sale of new capital stock. The bank offered new shares to its shareholders of record on Dec. 10 at the rate of one share for each four shares then held. The number of shares of capital stock on Dec. 31, 1945, totalled 550,000 shares as against 400,000 shares on Dec. 31, 1944. The increase of $3,375,000 in the surplus account, from $9,000,000 Dec. 31, 1944 to $12,375,000 Dec. 31, 1945, reflects the following additions to this account:

(1) $3,025,000, which is the excess above $17.50 par value per share, received from the sale of 110,000 shares of new stock offered to shareholders at $45 per share on Dec. 10, 1945.

(2) $350,000 transferred from undivided profits.

Undivided profits Dec. 31, 1945 were $4,892,178. If there be included the two transfers therefrom to capital and surplus aggregating $1,050,000 referred to previously, undivided profits were $1,434,139 greater at the end of the year 1945 than on Dec. 31, 1944, when this item was $4,508,040. This increase, together with the amount paid in dividends reflects earnings of $2,094,139, or $4.76 per share (on 440,000 shares) for 1945 as against $1,786,911, or $4.47 per share (on 400,000 shares) for 1944.

The Commercial National Bank and Trust Co. of New York reported as of Dec. 31, 1945 total deposits of $244,444,051 and total assets of $270,073,881 compared respectively with $244,089,650 and $268,004,597 on Dec. 31, 1944. The bank at the end of 1945 held cash on hand and due from banks of $45,561,970 compared with $44,268,008 on Dec. 31, 1944; investments in U.S. Government securities now at $170,862,818 compared with $178,102,283 on Dec. 31, 1944. Loans and discounts of $48,258,753 compared with $40,897,679 on Dec. 31, 1944. The bank's capital account was unchanged at $7,000,000 and its surplus and undivided profit account increased to $12,188,420 from $11,148,851 after payment of dividends of $560,000. Net earnings per share for the year ended Dec. 31, 1945 were $4.57 compared with $4.36 in 1944. At the close of the year $1,000,000 was transferred from undivided profits to surplus, increasing surplus to $11,000,000.

Brown Brothers Harriman & Co., private bankers, in their financial statement of Dec. 31, 1945, report new high record totals for assets and deposits. Total assets of $209,702,808 at the year-end compared with $180,612,121 on Dec. 30, 1944, and $202,845,069 on Sept. 30, last. Deposits increased to $186,531,590 from $160,895,415 a year earlier and $180,665,748 at the close of the third quarter of 1945. Capital and surplus amounted to $13,685,284, compared with $13,605,284 on Dec. 30, 1944, and $13,666,066 on Sept. 30, 1945. Loans and discounts were $48,474,193, against $38,982,822 and $45,350,805, respectively, on the earlier dates. Other asset items compare as follows with the figures of Dec. 30, 1944 and Sept. 30, 1945: Cash on hand and due from banks, $42,171,879 against $38,129,179 and $40,112,514, respectively; U. S. Government securities, $58,391,037, against $59,515,927 and $66,738,506, and State and municipal and other public securities, $46,794,567, against $33,703,939 and $37,868,975.

The Continental Bank & Trust Co. of New York reported as of Dec. 31, 1945, total deposits of $204,765,283 and total assets of $218,680,271, compared respectively with $174,703,391 and $187,835,125 on Sept. 30, 1945. Cash on hand and due from banks increased Dec. 31, 1945 to $54,687,596 from $34,196,440; holdings of U. S. Government obligations to $72,858,181 from $67,598,759; loans and discounts to $68,115,230 from $65,246,949. Capital rose from $4,000,000 to $5,000,000 and surplus remained at $5,000,000. Undivided profits are now $1,336,025, against $1,167,259. General reserves are reported as $528,649, compared with $1,490,582 at the end of the third quarter.

The statement of condition of Sterling National Bank & Trust Co. of New York as of Dec. 31, 1945 shows deposits at $167,417,603 and resources at $174,725,392. These figures, which are the highest in the history of the bank, compare with deposits of $140,773,642 and resources of $154,898,285 shown on Sept. 30, 1945, and with deposits of $121,374,164 and resources of $127,864,981 shown on Dec. 31, 1944. Cash and due from banks is listed at $37,696,231, as against $27,217,353 shown three months ago, and $29,433,333 shown a year ago. U. S. Government securities are shown at $97,484,365, in comparison with $94,769,874 at the end of the third quarter, and $64,479,580 at the end of 1944. Loans and discounts stand at $37,159,415 as compared with $30,613,970 shown at the end of the third quarter, and $31,168,980 shown a year ago. Capital remains unchanged at $1,500,000. Surplus on Dec. 31, 1945 is $3,500,000 and undivided profits are $505,354. On Sept. 30, 1945 surplus and undivided profits were shown respectively at $3,500,000 and $406,530. On Dec. 31, 1944 the comparative figures were $3,250,000 and $320,627.

The statement of condition of the Grace National Bank of New York as of Dec. 31, 1945 shows deposits of $95,139,601 as compared with $84,412,938 on Sept. 30, 1945 and $77,567,536 a year ago. Surplus and undivided profits at the latest date amounted to $3,624,458 as compared with $3,536,559 on Sept. 30, 1945 and $3,266,230 a year ago. Cash in vault and with banks totalled $22,211,860 against $15,510,874 on Sept. 30, 1945 and $16,015,169 a year ago. U. S. Government securities were $49,852,878 as compared with $43,904,461 on Sept. 30, 1945 and $39,446,302 a year ago. Loans and discounts were $28,372,304 as compared with $25,452,944 on Sept. 30, 1945 and $22,625,291 a year ago.

J. Henry Schroder Banking Corp. of New York reports total resources of $65,565,898 on Dec. 31, 1945 against $57,939,975 on Sept. 30, 1945. Cash on hand and due from banks was $6,646,232 against $5,839,385. U. S. Government securities were $40,955,405 against $37,646,634; customers' liability on acceptances, $7,758,285 compared with $5,944,498. Surplus and undivided profits were $3,176,807 against $2,670,912 in the previous quarter; amount due to customers was $47,233,437 against $41,206,456. Acceptances outstanding were $8,453,160 against $7,157,878.

Schroder Trust Co. reported Dec. 31 resources of $46,393,294, compared with $41,962,661 on Sept. 30; cash and due from banks $7,807,875 against $5,514,510; U. S. Government securities $33,890,388 against $31,286,908; loans and discounts $3,892,503 against $4,417,315. Surplus and undivided profits were $2,579,045 against $2,072,623. Deposits were $42,095,131 against $37,764,823.

Colonial Trust Co. of New York reported as of Dec. 31, 1945 total deposits of $60,623,057, compared with $50,278,864 on Dec. 31, 1944. Total resources of the bank at the end of 1945 amounted to $65,261,820 against $52,001,037 a year ago. Cash on hand and due from banks stood at $14,491,320, compared with $11,979,197 a year ago. Holdings of U. S. Government obligations were $29,314,415, compared with $26,173,895 a year previous. Loans and bills purchased amount to $18,344,041, against $13,175,560 on Dec. 31, 1944. Capital funds at the latest date were $1,500,000 compared to $1,000,000 on Dec. 31, 1944, the difference being represented by capital debentures purchased by interests identified with the management. Surplus and undivided profits were $2,009,947, compared with $1,620,440 a year ago.

Fulton Trust Co. of New York reports total deposits of $38,621,840 and total assets of $44,211,804 in its statement of Dec. 31, 1945, as compared with deposits of $35,989,711 and total assets of $41,535,936 on Sept. 30, 1945 and with deposits now of $39,048,588 and total assets of $44,462,755 a year ago. Cash, U. S. Government securities and demand loans secured by collateral amounted to $41,415,149 Dec. 31, 1945 as compared with $38,012,936 three months ago and with $40,937,297 on Dec. 30, 1944. Capital and surplus showed no change in total at $4,000,000 but undivided profits increased to $1,244,768, after dividend payable Jan. 2, 1946, as against $1,217,919 on Sept. 30 and $1,116,470 reported 12 months ago.

The Federation Bank and Trust Co. of New York reported as of Dec. 31, 1945 deposits of $37,618,806 and total resources of $41,744,253 against $29,606,511 and $32,730,769, respectively, as of Dec. 31, 1944. Cash on hand and due from banks amounted on Dec. 31, 1945 to $9,922,247 against $7,916,540. Holdings of U. S. Government securities totaled $16,874,401 against $12,473,660. Loans and discounts were $9,400,785 against $8,068,229. Capital had been increased from $1,000,000 to $1,500,000. Surplus reflected an increase from $1,200,000 to $1,400,000 and undivided profits have increased from $415,026 to $468,237.

Total assets of Clinton Trust Co. of New York reached a new high of $28,258,720 on Dec. 31, 1945. This compared with $23,843,947 on Sept. 29, last, and $21,376,233 on Dec. 31, 1944. Deposits at the latest date amounted to $26,828,736 against $22,373,878 and $20,050,698, respectively. Surplus and undivided profits totaled $611,385 compared with $600,936 on Sept. 29 and $514,664 a year ago. Loans and discounts were $5,132,702 at the close of the year compared with $3,043,704 three months earlier and $2,922,011 on Dec. 31, 1944. Holdings of U. S. Government and municipal bonds amounted to $15,308,878 compared with $13,335,331 and $11,029,605, respectively. Cash on hand and due from banks at the close of the year totaled $5,397,533 against $5,163,830 at the end of the third quarter and $4,541,036 a year ago.

The statement of condition of Brooklyn Trust Company, of Brooklyn, N. Y., as of Dec. 31, 1945, showed total deposits of $278,403,262, which compare with $238,787,460 on Sept. 30, last, and $227,990,711 a year ago. Total resources were $295,538,969 against $255,491,353 on Sept. 30 and $244,554,548 a year ago. Cash on hand and due from banks was $52,002,083 against $48,330,224 on Sept. 30 and $44,044,220 on Dec. 30, 1944, while holdings of U. S. Government securities were $189,976,038 against $156,658,418 three months

(Continued on page 184)

Russia Indicates Failure to Sign Bretton Agreements Due to Need of Further Study

An explanation by Russia to United States Ambassador Harriman that it did not make the deadline of Jan. 1 for ratification of the Bretton Woods agreements because more time was needed for study of the proposals, was made known by the State Department at Washington on Jan. 5, it is learned from special advices from Washington on that date to the New York "Times." In an item in these columns Jan. 3, page 45, it was indicated that Russia and eight other eligible nations permitted the Dec. 31 deadline to pass without becoming charter members of the World Bank and Stabilization Fund, according to State Department advices Jan. 1. Our Jan. 3 item noted the nations which have signed the agreements.

Russia's explanation of its failure to ratify the agreement was said to have been contained in a cable message from Ambassador Harriman which reached the State Department about the time of the deadline. In reporting this the special Washington account to the "Times" on Jan. 5 added:

"Officials were somewhat astonished by the explanation, because representatives of the Soviet not only signed the agreements at Bretton Woods a year and a half ago, but also took part in preliminary talks.

"These officials expressed confidence that the boards of the International Monetary Fund and the Bank for Reconstruction and Development would at once at their early meetings provide for acceptance into membership, at the previously established quotas, of countries like Russia, which signed the original agreements but did not ratify before the deadline.

"Many explanations as to the 'real' reason for the failure of Russia to ratify the agreement have been advanced during the last few days by puzzled officials in the State and Treasury Departments, but they all seem to add up to the fact that from the Russian point of view there was less to gain than to lose in joining the institutions because:

"Russia wants a substantial loan, perhaps as much as $6,000,000,000, but the resources of the International Banks are insufficient to afford such a large credit to one nation. Moreover, the interest rate, especially in view of a provision in the bank agreement prohibiting competition by the bank with private lenders, would be too high for the Russian taste.

"Because of her State trading set-up, all Russian exports and imports are made as bulk-purchase contracts over terms of one or more years, which implies a gamble as to the stability of exchange rates. Therefore, it is argued that Russia wants stable exchanges, the primary objective of the monetary fund, more than any one else, but she can have them just as easily as an onlooker as a participator.

"Officials attending the Bretton Woods conference recall that, although the Russian delegates agreed to submit for publication their gold production, gold reserve and other statistics previously kept secret, they objected when they first learned that they would have to furnish such information to obtain the benefits of the fund.

"Nevertheless, the statement relayed from Moscow by Ambassador Harriman does not shut the door to Russian participation at some future date.

Victory Loan Sales Total $21,144,000,000

Sales in the Victory Loan totalled $21,144,000,000 or 192% of its $11,000,000,000 goal, Secretary of the Treasury Fred M. Vinson announced on Jan. 4. Sales to individuals he said totalled $6,776,000,000 or 169.4% of the $4,000,000,000 quota. Sales to all other investors were $14,351,000,000 or 205% of the $7,000,000,000 goal for corporations and other non-individual investors.

Most important of all, according to Secretary Vinson, was the fact that sales of Series E Bonds in the drive totalled $2,204,000,000 or 110% of the national E Bond goal of $2,000,000,000. Moreover, it is noted every State in the Union made its E Bond quota. Ted R. Gamble, retiring National Director of the War Finance Division, said that was "the best news of all." The dollar-a-year head of the War Finance Division since it was formed in June, 1943, Mr. Gamble recently resigned to return to private business, but is still in Washington, finishing up the affairs of the eighth and last of the war loans and preparing to turn savings bond sales over to Vernon L. Clark of Des Moines, Iowa, new National Director of the U. S. Savings Bond Division of the Treasury, which superseded the War Finance Division, Jan. 2.

State and territorial Committees and their six million volunteers have accounted for the sale of $186,000,000,000 in securities to non-bank investors since May 1, 1941, Mr. Gamble disclosed. These Committees were organized first under the Defense Savings Staff, which after Pearl Harbor became the War Savings Staff and in mid-1943 the War Finance Division of the Treasury.

"To the zeal and skill of our six million volunteer bond salesmen goes most of the credit for this record, far surpassing anything in previous financial history," said Mr. Gamble. He added, "To their patriotism and selfless service goes the credit for another record: the low cost of selling these securities to finance the war. The sales and promotion altogether cost the Treasury a little over $45,000,000 or one forty-second of 1% of the dollar receipts from the seven war loans, the Victory Loan and the interim sale of savings bonds and tax savings notes from May 1941, through December, 1945."

"With the end of the Victory Loan drive we see as achieved all the objectives that were set up for the war finance program," Mr. Gamble continued. "These were: to finance the war adequately, to do it as cheaply as possible, to keep the banks of the country in a relatively liquid position, to combat inflation by raising large sums from non-bank investors and to spread the habit of thrift among the people, the majority of whom had a minus record of saving. According to most impartial observers, these objectives have been reached."

Mr. Gamble further said:

"The average interest rate for financing this war has been kept to 1.9% against 4% in World War I. The banks through their acceptance of short-term securities are in the most liquid position in their history. Some $53,000,000,000 net have been invested by individuals, thus curbing the stream of spending while goods were scarce. The number of regular savers multiplied until at least 85,000,000 Americans are now holders of Government bonds.

"This is a fitting valedictory for the efforts of the thousands of War Finance Committees and the six million volunteers who made these things possible. To them I join the Secretary of the Treasury in saying: 'Well done!'."

Diplomatic Relations Resumed Between U. S. and Siam; Britain-Siam Peace Treaty Signed

Diplomatic relations were resumed by the United States on Jan. 5 with Siam after a break of nearly four years. This followed action which had been taken by Great Britain on Jan. 1, when an agreement was signed in Singapore ending the state of war existing between Great Britain and Siam, since the latter had declared war on Britain on Jan. 25, 1942. The agreement was signed by representatives of the United Kingdom, the Government of India and the Kingdom of Siam, the Associated Press reported on Jan. 2.

According to these press advices from Bangkok, Siam's Premier, Seni Pramot, expressed thanks to the United States for "the special interest it has shown from the beginning in the welfare of Siam," apparently referring to the efforts on the part of this country to avoid strenuous terms for the Siamese, whom our State Department regards as having been puppets of the Japanese and unable to refuse to participate in the war action.

The Siamese Premier also told a news conference of his wish "to thank Britain for her great generosity in this matter," but declined, the Associated Press Bangkok advices stated, to comment on the extent original British demands had been scaled down during the lengthy treaty negotiations.

Regarding the resumption by the United States of diplomatic relations with Siam, special Washington advices Jan. 5 to the New York "Times" said:

Secretary of State James F. Byrnes took the step by receiving Luang Dithakar Shakdi, Charge d'Affaires of the Siamese Legation. Charles W. Yost, foreign service officer, who has been in Siam during the British treaty negotiations, was named our Charge d'Affaires in Bangkok.

"This marks the formal re-establishment of those friendly relations which have characterized Siamese - American relations for over a century," the State Department said. "We look forward to even closer friendship in the future and to the early admission of Siam to membership in the United Nations Organization."

Unlike Britain, we are not at war with Siam. We intervened in the recent negotiations between London and Bangkok to be assured that unduly restrictive terms would not be imposed on Siam in the treaty with Britain.

"This Government," the State Department said today, "was pleased with the ready and cordial response the British Government accorded the views which we presented."

The Siamese Charge d'Affaires said:

"Today, when formal diplomatic relations are once again happily restored between the United States and Siam, it is my duty and pleasure to voice the heartfelt gratitude of the Siamese people for the sympathy and understanding invariably shown to Siam by the Government and people of the United States."

On Jan. 1 the Associated Press reported from Bangkok that the Britain-Siam treaty provided for Siamese participation in international tin, rubber and rice control arrangements, but specified that she make restitution for British war losses in Siam and abandon any claims to British territory in Burma and northern Malaya, seized while Siam was an ally of Japan. The Associated Press added:

Publication of the terms was greeted with enthusiasm by Siamese, since it was widely believed here—despite British denials—that the original British proposals included clauses which would have authorized British military occupation of any part of the Siamese territory if deemed necessary, along with censorship of press and radio, and power to dissolve all Siamese military forces. None of these appeared in the final agreement.

Another source of relief to anxious Siamese was the clause under which Siam promised to provide up to 1,500,000 tons of rice for the Far East's foodless. The clause as approved stipulated that Siam can retain an adequate supply for internal needs and must make available only the surplus.

Charles W. Yost, political adviser to United States forces in the India-Burma theatre, said that while the United States was not a party to the agreement, "we wish to express our satisfaction that our two friends have been able to come to an understanding, and our appreciation that they proved so willing to take American interests into account."

The United States, he said, had made known its views on the points of the treaty.

Elect Officers of N. Y. Board of Trade

Ralph E. Dorland, an Executive of The Dow Chemical Company, has been elected President of the New York Board of Trade, to succeed John B. Glenn (President, Pan-American Trust Co.), who becomes Chairman of the Board. The election was held at the special meeting of the Board of Directors at the Hotel Pennsylvania in New York Dec. 20.

Richard V. Goodwin, Vice-President of the Fireman's Fund Indemnity Co., and H. L. Brooks, President of Coty, Inc., were reelected Vice-Presidents, and Warren L. Baker, Manager of the Aviation Division of the Socony-Vacuum Oil Co., was also elected Vice-President.

Harry J. Carpenter, of the Guaranty Trust Co. of New York, was re-elected Treasurer. M. Leo Gitelson, President of Nehemiah Gitelson & Sons, was elected Assistant Treasurer. Richard Kulze, who has recently returned from service in the Army, was elected to the office of Secretary—which position he held at the time he was called to service. Edwin M. Otterbourg was elected General Counsel, and M. D. Griffith was elected Executive Vice-President.

Jesse L. Hopkins, who holds the distinction of being the oldest member of the New York Board of Trade (was Treasurer 40 years ago), was elected Honorary Vice-President.

The following ten new Directors were elected by the members of the New York Board of Trade at the 72nd annual meeting held on Dec. 18: James P. Fordyce, Manhattan Life Insurance Co.; William M. Holmes, Bonwit Teller, Inc.; Richard Kulze, Attorney; R. H. Patchin, W. R. Grace & Co.; Alexander Simon, Western Union Telegraph Co.; J. T. Wilson, International Business Machines Corp.; Dr. Carle M. Bigelow, Calco Chemical Div. American Cyanamid Co.; Leon C. James, New York Central System; Floyd W. Jefferson, Iselin-Jefferson Co.; Robert B. Magnus, Magnus, Mabee & Reynard, Inc.

The following 12 Directors, who were already serving on the Board, were re-elected to succeed themselves: H. J. Carpenter, Guaranty Trust Co. of N. Y.; L. A. Cholot, Pan American Airways System; Ralph E. Dorland, The Dow Chemical Co.; Frank Flynn, The Commercial Cable Co.; Leonard Ginsberg, Hearn Department Stores, Inc.; Dr. M. Leo Gitelson, Nehemiah Gitelson & Sons; M. L. Seidman, Seidman & Seidman; Frederic T. Wood, Fifth Avenue Coach Co.; Warren L. Baker, Socony-Vacuum Oil Co.; S. Stanley Kreutzer, Kreutzer, Hauser & Selman; Frederick J. Emmerich, Block International Corp.; C. A. Slocum, Chicopee Sales Corp.

The directorate of the Board of Trade is composed of 36 Directors, who are elected for three-year terms—12 of whom expire each year; in addition there are six Directors-at-Large elected for one-year terms, and all Past-Presidents are Directors ex-officio, as long as they remain members of the organization. The total on this year's Board is 48 Directors.

In accepting the Presidency, Mr. Dorland had the following to say in part:

"American business buckles down to the problems of 1940, some encouraging — and many with threatening potentialities.

"The problems of American business at this time differ in kind and degree from those of any other nation on earth since the western hemisphere alone not only escaped physical devastation, but built up unparallelled resources of productive capacity.

"These problems appear to fall into two main classes: (1) Our internal economy, and (2) our relations with the rest of the world. They can be, and they must be, kept separate and apart. It is neither reactionary nor a form of isolationism to keep America strong for the task of World Leadership which has been thrust upon it. Our internal economy must be sound. It must be workable. It must be free from idealistic experimentation. It must not depend on a dreamer's paradise.

"In our relations with the rest of the world we must give all the aid in our power. We must be humane and generous. We must be worthy of Leadership in bringing about World Security and higher standards for all peoples. But, we must render help with intelligence. Our generosity must not pauperize either the recipients thereof, or ourselves. We must give aid to the worthy and not merely to those who ask. The rest of the world must be helped to stand on their own feet and not allowed to perch on Uncle Sam's insteps. The New York Board of Trade has the facilities through its International Trade Section to be of real service in this phase of our world problems.

"Domestically, as FREE people, we have got to take a 'refresher course in Democracy.' For four years we yielded many of our individual rights and privileges as citizens to the necessity of Winning the War. We have leaned on Government — looking to its direction in many matters that we should have acted upon on our own initiative. Business must regain more freedom in our American Enterprise System. The whole philosophy of government control over business must be reexamined on the basis of peace— rather than the emergencies of war and particularly without political contamination."

Internat'l Trade Section to Hold Meeting Jan. 16

The annual meeting of the members of the International Trade Section of the New York Board of Trade will be held on Jan. 16 in the Board Room of the Board of Trade at 291 Broadway. At this meeting the Executive Committee of the Section will be chosen by ballot for a one-year term, from open nominations, and the newly elected Executive Committee will elect the officers of the Section for 1946, and to act on other matters on the agenda.

No Revelation by U. S. of Atom Secret Until Controls Are Established

In spite of the Big Three communique from Moscow of plans for an international atomic control commission, White House sources stated on Dec. 29, according to Associated Press Washington advices, that only a very cautious, step-by-step procedure would be followed by the United States in its disclosure of atomic energy secrets. To quote the Associated Press, they (White House sources) said conversations both at the White House and the State Department indicated it will be American policy to test out proposed inspection methods before telling any nation except Britain and Canada of the know-how of the atomic bomb. The press advices added:

Senator Vandenberg, (Mich.) Chairman of the Republican Senatoral Conference, gave some indication how the wind is blowing after a conference with Mr. Truman at the White House.

Senator Vandenberg said, in a statement, he was advised by the State Department that "full security requirements" will be met in the proposed International Commission's dealings with atomic energy.

The Michigan Senator, a member of the Special Committee on Atomic Development, is known to favor retention of the secret until it has been demonstrated that international controls to prevent its future military use are workable.

The Moscow Big Three communique laid down a four-point agenda for the proposed Commission, which would be set up by the United Nations Organization and would be accountable to the world security council.

The proposals will be:

(a) For extending, between all nations, the exchange of basic scientific information for peaceful ends;

(b) For control of atomic energy to the extent necessary to insure its use only for peaceful purposes;

(c) For the elimination from national armaments of atomic weapons and of all other major weapons adaptable to mass destruction;

(d) For effective safeguards by way of inspection and other means to protect complying states against the hazards of violations and evasions.

Reorganization of Government Agencies

President Truman signed on Dec. 19 a compromise version of the legislation which gives him power to reorganize and combine a number of Government agencies. The bill signed by the President was approved by a Senate-House Conference Committee, which limited the powers in the bill to the current Presidential term, Associated Press Washington advices stated on Dec. 11.

Under its present form the bill, which President Truman had indicated as a "must" measure, does not give the President all the authority he sought, but committee members stated that it accords him more power than Congress has previously given any Chief Executive.

Following the signing of the bill the President said that while he anticipated that "the act will result in some reduction of administrative expenditures in the agencies affected by reorganization plans, he did not consider it probable that we will generally save as much as 25% as suggested in the act."

The President's statement after signing the bill follows:

"I am pleased today to sign the reorganization act of 1945 for I believe that in this act the Congress has established a procedure which should lead to substantial improvements in the organization and management of the Government.

"Under the authority of the act, I shall undertake a systematic review of the Government agencies with a view to regrouping their functions in the most efficient and economical manner and abolishing such functions and agencies as may not be necessary.

"The Director of the Bureau of the Budget has been instructed to obtain the recommendations of all departments and establishments covered by the act and to take the lead in preparing the necessary reorganization plans for my consideration. He will work with the Director of War Mobilization and Reconversion in so far as the reorganization proposals relate to the reconversion of the war agencies.

"While I anticipate that this act will result in some reduction of administrative expenditures in the agencies affected by reorganization plans, I do not consider it probable that we will generally save as much as 25%, as suggested in the act. I wish to point out, also, that administrative expenditures are only a small proportion of the cost of Government. Substantial savings in Government expenditures can come only from reductions in the Government programs themselves, and these are made as a rule through the normal budgetary and appropriations processes, not through reorganization action.

"The results of reorganization will be evident primarily in the increased effectiveness of Government operations. Regrouping and consolidation to bring together those agencies having related purposes will lead to greater consistency in the policies of the agencies and better coordination of their programs in operation. This should mean also a simpler and clearer relation between the agencies of the Government and the public. Through these means, the act will enable us better to adopt the Government for carrying out its responsibility of serving the people."

In Associated Press advices from Washington it was stated:

Several legislators and Government officials attended the signing, including Senators Byrd (D., Va.), Chairman of the joint committee on reduction of Governmental expenditures; Murdock (D., Utah) and McCarran (D., Nev.); Representatives Whittington (D., Miss.), and Manasco (D., Ala.); Comptroller-General Lindsey C. Warren and Harold D. Smith, director of the budget.

Six agencies are exempted from reorganization, except that additional duties, agencies and employees may be shifted to them. These are the Interstate Commerce Commission, Federal Trade Commission, Securities and Exchange Commission, National Mediation Board, National Railroad Adjustment Board and Railroad Retirement Board.

The civil functions of the Army's Engineers Corps, which includes such work as flood control, the General Accounting Office and the Comptroller-General, both direct agents of Congress, are completely exempt.

The Federal Deposit Insurance Corporation, the Federal Communications Commission, the Tariff Commission and Veterans Administration must be dealt with separately and under plans which would affect no other agency if any effort is made to reorganize them.

N. Y. Chamber Opposes O'Mahoney Bill

Strong opposition to Federal licensing of corporations and trade associations engaged in interstate and foreign commerce, as proposed in effect in legislation sponsored by Senator Joseph C. O'Mahoney of Wyoming, was voiced in a report made public on Dec. 2 by the Chamber of Commerce of the State of New York. Senator O'Mahoney's bill (S.10) would require the procurement from a Federal bureau of certificates of "statutory compliance with certain national standards."

Contending that the measure would further regiment business at a time when every effort is being made to free it from Government control, the report raises the following objections to the proposed legislation:

"It would increase the number of bureaucratic investigations and regulations.

"It would make it more difficult for corporations to secure competent directors.

"It would discourage the employment of venture capital and the launching of new enterprises.

"It would seriously infringe upon the powers of the States over the corporations they charter.

"It no doubt would increase the number of stockholders' derivative suits against the officers and directors of corporations.

"The O'Mahoney bill has 15 provisions which may be called 'National standards,' to which corporations must conform, as well as to the requirements of the state of incorporation," the report said, in directing attention to some of the provisions.

The report added: "Directors of corporations must have a 'bona fide financial interest' in the corporation; they must not have 'any financial interest in any competing corporation' or in any corporation with which business is done; a written report must be mailed to all stockholders of all transactions between any director and the corporation or dealings by the directors in the securities of such corporation.

"Any dealings with foreign corporations or individuals to effect the exchange or transfer of property requires that details must be filed with the Department of Justice within 30 days after such contract, agreement, arrangement, purchase, assignment, lease or sale has been entered into or made," the report continued. "Corporations cannot purchase shares or other interest in any corporation engaged in business 'other than the principal business of such corporation'."

The name of the commission to enforce the O'Mahoney measure is left blank in the bill. "Experience shows, however, that a commission of this sort never fails to reach out for more and more power," the report concluded. "The number of questionnaires which corporations would have to fill out would be greatly increased and the powers which have been exercised by the various states over their corporations would be seriously infringed upon."

Calling attention to conflict between the proposed legislation and Article X of the Bill of Rights of the Constitution, the report commented:—"Only in the last generation has it become common to demand that individuals, corporations, etc., conform to specific Federal or national standards, as well as state laws, for the privilege of doing business."

The report, which was drawn by the Committee on Internal Trade and Improvements, presented by Arthur M. Reis, committee chairman, was approved by the Chamber at its monthly meeting on Dec. 6.

Criticizes Importers in Seeking to Induce State Dept. to Repudiate Limiting Swiss Watch Imports

Criticism by Walter W. Cenerazzo, National President of the American Watchworkers Union, of the National Council for American Importers for trying to "high-pressure" the United States State Department into repudiating its recent action limiting the import of Swiss watches was reported in special Boston advices Dec. 30 to the New York "Herald Tribune," his statement following the sending of a letter to Secretary of State James F. Byrnes, by William H. Schille, President of the Importers.

The advices to the "Herald Tribune" report that Mr. Schille had written Mr. Byrnes that the Department's action, in requesting the Swiss Government to establish an export quota of 3,000,000 watches and watch movements to the United Sattes next year, was "ill advised and untimely."

The Boston account to the "Herald Tribune" went on to say:

Mr. Cenerazzo charged that, by importing Swiss watches at from one-fourth to one-third the unit cost of production in the United States and selling them at the same price as domestic watches, United States importers have become "war millionaires." This was going on, he said, while the American watch industry was producing timing mechanism for the armed forces of the United Nations and was shut out of the domestic market.

Mr. Cenerazzo declared that the State Department quota of 3,000,000 Swiss watches for next year was higher than the rate of imports for 15 years preceding the war, when the annual rate averaged 2,100,000. During that 15-years period, he said, 34,887,000 watches were imported from Switzerland, but since Pearl Harbor more than 28,000,000 watches have been brought in.

This 28,000,000 watches would represent 14 years labor by American watchmakers, he said.

In response to Mr. Schille's complaint to Mr. Byrnes that adequate hearings were not held before the State Department took action, Mr. Cenerazzo said that the Swiss-watch importers' group got a hearing on Oct. 26 before the Committee on Reciprocity, at which time a two-week postponement was allowed for the filing of a brief. This was extended to five weeks, he said, and at the end of that time the importers had not filed.

While the State Department waited for the filing of the brief, Mr. Cenerazzo said, 1,500,000 watches were imported. There were 2,100,000 watches brought in during October, 1,250,000 in November, and December's imports will bring the total for 1945 to 10,000,000 watches, he declared.

He characterized the State Department's move as "the first constructive action which the Department has taken to protect an American industry and job opportunities for American workers in the ten years of the existence of the reciprocal trade pact."

Mr. Schille had writen to Mr. Byrnes that the action would disturb the solidity of the reciprocal trade agreement between the United States and Switzerland. He said he understood that if the Swiss government did not comply with the quota request the trade agreement would be terminated.

Unified Intelligence System for U. S. Urged

The State Department's new intelligence chief, Col. Alfred McCormack, has proposed the creation of a national intelligence system, headed by the Secretary of State, in which would be unified the intelligence work of all existing Government agencies. Stating, according to United Press Washington advices of Dec. 22, that this country "was not making anything like full use" of its vast intelligence resources before the attack on Pearl Harbor, Colonel McCormack asserted that the establishment of his proposed plan could avert such tragic unpreparedness in future and could gird the nation for living in the atomic age. From the United Press we also quote:

"Colonel McCormack said the United States must fill new needs for intelligence resulting from the development of atomic energy. For example, he said, the United States has little information on the world's mineral resources.

"Colonel McCormack presented the State Department's plan on a foreign-policy broadcast over a National Broadcasting Company hookup, with William Benton, Assistant Secretary of State in charge of public affairs.

"The plan would provide for a top level of authority consisting of the Secretaries of State, War and Navy as permanent members and, on special problems, heads of other departments and Government agencies.

"An executive secretary with a full-time staff would execute the program aided by inter-agency working committees in each of the principal fields of intelligence.

"Colonel McCormack estimated the cost of such a plan at $6,000,000 for the first year. He said the intelligence agency might undertake such operations as the foreign monitoring service, now temporarily operated by the War Department.

"However, he added, intelligence is 90% information gained from open and above-board sources—not gun running and espionage—and that the important thing is to co-ordinate and use it."

No More Strike Votes by NLRB

With the signing by President Truman on Dec. 28 of legislation prohibiting use of funds for the National Labor Relations Board to take strike votes, all of this work by NLRB was brought to a complete halt, according to United Press Washington advices, which added that NLRB sources said that votes already taken, but not processed, would not be counted, and all scheduled polls are canceled. It was further said:

"Under provisions of the wartime Smith-Connally labor disputes act, the Board conducted scores of strike votes at the request of unions. These included the strike votes in the big automobile, steel and electrical manufacturing industries."

Individual Savings Accounts Up 19% in New York State

Individual savings accounts in the 37 member associations of the Council of Insured Savings Associations of New York State increased by $32,005,402 or 19% for the first eleven months of this year. The advices state: "For November the increase in savings, excluding Christmas Club disbursements, was $1,822,816 or 1%. Withdrawals of savings in November totaled $4,934,310, or 79.2% greater than a year ago. At the same time new savings were up 30% over November, 1944, totaling $6,757,126. Christmas Club disbursements amounted to $1,203,710.

"The volume of home mortgages for November was 46% greater than a year ago. Resources of these 37 savings institutions totaled $222,614,471 on Nov. 30 of which $55,530,000 was represented by government bonds."

The State of Trade

(Continued from first page)

heartened by efforts of the national administration to avert the strike of steelworkers set for Jan. 14, effects of which, if prolonged, would result in widespread economic paralysis, says the magazine. "Steel," in its weekly report on the steel trade.

Appointment of the fact-finding board and efforts to delay the actual walkout until Office of Price Administration can complete review of steel company earnings and decide definitely whether increased prices can be allowed are steps bearing directly on the crucial points and may provide a solution short of actual cessation of production.

Unconfirmed reports, the magazine states, were current last week that the steelworkers' union wage policy committee may meet within the next few days to decide whether to postpone the strike date, pending completion of the OPA study. In connection with the latter, it was pointed out that despite OPA's recent position that price increases, if any, must depend on the industry's financial showing for fourth quarter of 1945, it was said some price relief may be made available through review of extra schedules, which have been under study for many months.

Steel producers foresee months of active operations when labor conditions are adjusted and have entered the year with heavy backlogs, extending six months or more in many instances. Light flat-rolled products continue in principal demand, with shapes, bars and some wire products also under heavy pressure and plates in greater demand than had been expected at the end of the war. Some plate tonnage is available for April but most producers are booked well into second quarter in spite of shipbuilding decline to almost nothing.

Contributing principally to activity in flat-rolled products are needs of automotive and household appliance manufacturers, with consumption in these lines expected to exceed all previous levels when labor is stabilized. Tin plate requirements, domestic and export, are heavy.

Bar business too, reflects large needs of the automobile industry, and the expanding needs of railroads, highway builders and many miscellaneous users. Structural shape producers, already booked an average of four to five months, expect further expansion as soon as building construction is released from price uncertainties and lack of labor.

Railroad car builders enter the year with about 45,000 domestic cars on order and a moderate backlog of export business, which should be increased soon by placing of 36,500 cars for France. However, this will leave ample capacity for additional cars as commercial shops have facilities for building 160,000 cars per year and railroad shops more than 0,000 units. A buying flurry at the year-end brought domestic car orders for 1945 to about 45,000 cars, somewhat less than the ,200 placed by American railroads in 1944.

The American Iron and Steel Institute announced on Monday of this week the opening rate of steel companies having 94% of the steel capacity of the industry will be 82.0% of capacity for the week beginning Jan. 7, compared with 80.6% one week ago, 82.9% one month ago and 91.6% one year ago. This represents an increase of 1.4 points or 1.7% from that of the previous week.

This week's operating rate is equivalent to 1.502,000 tons of steel ingots and castings, and compares with 1,476,300 tons one week ago, 1,518,400 tons one month ago and 1,677,500 tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 3,758,942,000 kwh. in the week ended Dec. 29, 1945 from 4,239,376,000 kwh. in the preceding week. Output for the week ended Dec. 29, 1945, however, was 11.0% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports System output of 186,600,000 kwh. in the week ended Dec. 30, 1945, comparing with 186,700,000 kwh. for the corresponding week of 1944, or a decrease of 0.1%. Local distribution of electricity amounted to 178,700,000 kwh., compared with 174,900,000 kwh. for the corresponding week of last year, an increase of 2.2%.

Railroad Freight Loadings—Carloadings of revenue freight for the week ended Dec. 29, 1945 total 506,151 cars, the Association of American Railroads announced. This was a decrease of 182,149 cars (or 26.5%) below the preceding week and 78,725 cars, or 13.5% below the corresponding week of 1944. Compared with the similar period of 1943, a decrease of 137,293 cars or 21.3% is shown. Both 1945 and 1944 included Christmas holiday and 1943 included New Year.

Loading of revenue freight on the railroads of the United States in 1945 totaled 41.901,051 cars, according to complete reports for the year, the Asssociation of American Railroads announced. This was a decrease of 1,507,244 cars or 3.5% below the preceding year.

Railroad Earnings—Class I railroads of the United States in November 1945, had an estimated net income, after interest and rentals of $34,200,000 compared with $63,506,098 in November 1944, according to reports filed by the carriers with the Bureau of Railway Economics of the Association of American Railroads.

In the first eleven months of 1945, estimated net income, after interest and rentals totaled $508,000,000 compared with $624,833,838 in the corresponding period of 1944.

In November 1945, net railway operating income, before interest and rentals was $61,321,067 and compared with $91,218,307 in November 1944.

For the first eleven months 1945 had a net railway operating income, before interest and rentals amounted to $881,972,625 as compared with $1,032,972,531 in the same period of 1944.

In the twelve months ended November 30, 1945, the rate of return on property investment average 3.42%. This compared with 3.99% for the like period of 1944.

Total operating revenues in the first eleven months of 1945 totaled $8.288.567.577 compared with $8,679,055,597 in the same period of 1944, or a decrease of 4.5%. Operating expenses in the first eleven months of 1945, amounted to $6,088,421,672 compared with $5,725,782.182 in the corresponding period of 1944, or an increase of 6.3%.

Taxes accrued in the first eleven months of 1945 totaled $1,156,178,710 compared with $1,734,648,425 in the same period in 1944.

Twenty Class I railroads failed to earn interest and rentals in the first eleven months of 1945, of which nine were in the Eastern District, one in the Southern Region, and ten in the Western District.

Paper and Paperboard Production—Paper production in the United States for the week ending Dec. 29 was 58.2% of mill capacity, against 96½% in the preceding week and 62% in the like 1944 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 52%, compared with 92% in the preceding week and 57% in the like 1944 week.

Business Failures Decline—In the week ending Dec. 27, commercial and industrial failures continued at a low level, reports Dun and Bradstreet, Inc. Concerns failing numbered 7, as compared with 8 last week and with 22 in the corresponding week of last year.

Large failures involving liabilities of $5,000 or more decreased from 7 in the preceding week to 5 in this week, and were far short of the 14 occurring last year. Two concerns failed with liabilities of less than $5,000, representing a slight increase of 1 over the preceding week, but a decrease of 6 from last year.

The majority of failures were concentrated in manufacturing as they had been in the preceding week. In the retail trade, 2 failures were reported—less than one-sixth the number in 1944. One concern failed in commercial service, but none were reported in either the wholesale or construction trades.

There were no Canadian failures for the week ended Dec. 27. Thus the record of no failures for the comparable week of 1944 and for the preceding week of this year was continued.

Wholesale Commodity Price Index—The general commodity average during the past week moved slightly upward. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., touched a new peak of 182.33 on Thursday and closed at 182.16 on Dec. 29, as compared with 181.96 a week earlier, and with 175.10 on the corresponding date last year.

Grain markets were somewhat irregular. Futures markets were marked by traditional holiday dullness and operations were restricted because of the advance of prices to ceiling levels. Cash grains remained strong. Cash wheat was in good demand but supplies were short. The wheat crop in 1945 was said to be the largest on record.

Oats futures were more active with prices moving in a narrow margin. The 1945 crop was the largest on record. All grades of corn were in good demand at ceiling prices. Offerings at flour mills continued low. Storm conditions reduced livestock marketings last week. Cattle prices advanced slightly while hogs were strong at ceilings.

Cotton prices were firm but activity in spot markets was slow in the holiday period. Distant futures showed strength. Trading in the nearer months were mostly through hedge selling. The export outlook remained bright. Activity in domestic mills remained generally unchanged from October. Weather in most of the belt was unfavorable for harvesting of the late crop. Cotton textile mills continued to be hampered by shortages of materials and labor.

Reflecting holiday influences, sales in the Boston raw wool market were again very light. Business during the past two weeks has been virtually on a three-day-a-week basis. Quietness in the goods markets as well as restricted mill operation and widespread inventory taking contributed to the general slowness. There was a revival of demand for fine spot foreign wools but there was little available for purchase. Foreign primary wool markets were generally closed and will stay closed until the 6th of January. Woolen and worsted fabrics produced during the third quarter of 1945 was reported at 107,700,000 yards, a drop of 20,000,000 yards from the previou quarter and the lowest since 1942.

Wholesale Food Price Index Unchanged—The wholesale food price index, compiled by Dun & Bradstreet, Inc., remained unchanged during the past holiday period, registering $4.15 on Jan. 1, 1946. This represented a rise of 1.5% over the $4.09 recorded on Jan. 2, 1945. Advances during the week occurred in rye, potatoes, steers and lambs. Declines took place in oats and eggs. The index represents the sum total of the price per pound of 31 foods in general use.

Retail and Wholesale Trade—The usual post-Christmas drop in retail volume for the country at large prevailed this week as consumer buying subsided and many department stores remained closed on Monday as well as on New Year's day, Dun & Bradstreet, Inc. reports in its weekly review of trade. In some cities the decline was reported to have been sharper than usual because of the reduced stocks. Volume was reported moderately above a year ago in most cities, although in some the Monday closings or lowered consumer incomes narrowed or eliminated the gain over the first week in 1945.

Inventories were at a seasonally low point and reports were frequent that they had been reduced even more than usual. Nevertheless, occasional clearance sales were held, especially in soft goods; retailers were said to be planning fewer markdown sales than in previous years. Exchanging of gifts for other articles in stores was said to be less common than a year ago.

Department and apparel stores reported that women's coats, suits, and dresses continued to sell well although in smaller volume than just before Christmas. Clearance sales were held in some stores, particularly in furs. The demand for men's furnishings and suits remained incompletely satisfied. Summer suits were offered much earlier than usual, according to reports, in an effort to fill store racks.

Volume in housefurnishings, jewelry, toilet articles, and luggage fell off but compared favorably with volume before the Christmas buying rush. There were scattered reports of larger deliveries of kitchen ware, china, lamps, and furniture. Transportation concerns, hotels, restaurants, and places of amusement did a seasonally large volume of business.

Food buying receded slightly from the peak purchases just before the Christmas holiday but continued to be higher than a year ago. The only scarcities now generally reported are butter and sugar.

Retail volume for the country was estimated to be from 4 to 8% above a year ago. Regional percentage gains were: New England 1 to 5, East and Pacific Coast 5 to 9, Middle West —1 to +3, Northwest 2 to 6, South 8 to 12, Southwest 7 to 11.

Wholesale volume during the past week was lower than a week earlier as retailers became less insistent on obtaining goods for fill-in purposes and as many wholesale houses remained closed on Monday or closed early. Volume was equal to or slightly above a year ago. Stocks were depleted by retailers' strong demand and by slow shipments of goods coming from manufacturers.

Department stores sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 29, 1945, increase by 27% above the same period of last year. This compared with an increase of 14% in the preceding week. For the four weeks ended Dec. 29, 1945, sales increased by 14% and for the year to date showed an increase of 11%.

Retail trade here in New York while active the past week showed a reduction in volume when compared with the like week of 1944 due to the double holiday. As for the outlook of 1946, doubt was expressed that department store sales would exceed the 1945 volume. Both retail and wholesale food sales have tapered off, but total trade in this field, it is believed, was higher than a year ago.

The first post-war floor coverings opening in New York was featured by the largest dealer and distributor attendance in many years. Textile markets in the first few days of the new year were still laboring under a tight supply situation.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Dec. 29, 1945, increased 27% above the same period last year. This compared with an increase of 16% in the preceding week. For the four weeks ended Dec. 29, 1945, sales rose by 18% and for the year to date increased by 13%.

Johnston Retires as Chairman of Chemical Bank & Trust Co.

(Continued from first page)

made one of four national bank examiners at large. He held this position until he became a Vice-President of the Citizens National Bank, Louisville, Kentucky, at the age of thirty-two.

On Aug. 27, 1917, Mr. Johnston came to New York as Vice-President and director of the Chemical Bank and was elected President in 1920 at the age of thirty-nine. In 1931, he was elected Chairman of the Board and acted as both Chairman and President until 1935, when he relinquished the Presidency, continuing as Chairman and Chief Executive Officer of the bank.

In the Chemical Bank's 122 years of existence, the period covered by Mr. Johnston's tenure of office has been as varied and difficult as any in the country's economic and political history. The banks' remarkable growth under Mr. Johnston's leadership is reflected in a comparison of its statement of March 31, 1917 with that of Dec. 31, 1945, and shows a growth in capital funds from $11,600,000, deposits of $37,400,000, and total resources of $49.500,000, as compared to capital funds of $102,100,000, deposits of $1,524,000,000, and total resources of $1, 637,000,000. The foregoing emphasizes the tremendous strides which the bank has made during this period. The part played by the bank of today in financing the Government is reflected in this bank's U. S. Treasury holdings of $790,555,000, as compared with the March 1917 position, when the only U. S. Governments held were $450,000 of bonds to secure circulation. The Chemical Bank & Trust Company today ranks seventh largest in New York City, and twelfth in the nation.

Mr. Johnston is one of the senior directors of the New York Life Insurance Company and holds numerous other directorships. He has been recognized and honored by some of the highest positions in the banking and financial world. He is a Past President of the New York Clearing House Association, a Past Chairman of the New York Clearing House Committee, a Past President of the Association of Reserve City Bankers, a Past President of the Chamber of Commerce of the State of New York, and a Past President of the Board of Trustees of Sailors Snug Harbor.

Parcel Post for Military

Advices on Dec. 31 from Postmaster Albert Goldman in New York stated that information from the Post Office Department at Washington 25, D. C., stated that effective at once, parcel post packages for members of certain British and other allied armed forces in Europe, the Middle East, Africa and Asia may be accepted within the limits of 11 pounds in weight, 42 inches in length, and 72 inches in length and girth combined.

Observations

(Continued from first page)

from their wartime peaks more slowly than the decreases in government outlays, a royal opportunity is now given the Administration to make good on its previous vague promises to balance the budget. Despite the avowed principle of the Administration's Keynesian **"compensatory"** spenders that permits balancing of the budget in years of high national income and employment, it is a full seventeen years since a balance existed, and eight years since the current cycle of bank credit expansion began.

Unfortunately there seems to be little evidence of Presidential worry over continuing drains on the Federal Treasury, by such items as the following which he himself has recommended:—(1) the British Loan Agreement for 4¼ billions; (2) Export-Import Bank operations for 2 billions; (3) Bretton Woods to the tune of 6 billions; (4) UNRRA at 2½ billions; (5) various public works proposals for X-more billions; and (6) compulsory military training.

* * *

Economic dreamers have in the past posed the question as to the effect of fictional broadcasting of currency to the general population from airplane, stratosphere, or other segment of the sky. Something equivalent to this experiment has now been performed in this country through our banking system's 4-year painless creation of $20 billion of purchasing power per annum, and the 6-year increase of $42 billion in checking accounts. Quite surprisingly, despite the worldwide proven shortcomings of price control, the effects on this country's spending and saving habits, and on prices, have been remarkably small. Possibly the absence of greater current and future disequilibrium will prove to have resulted from our steady progress in the reconversion of our enormous productive facilities, the extent of which seems to have been obscured by the acute labor controversies. According to Federal Reserve Board figures the production of nondurable goods, which declined about 5% from July to September as a result of curtailed output of explosives, ammunition, and aviation gasoline, showed no change for October, and actually advanced in November. Decline in the output of war products have been more than offset by increases in nondurable goods for civilians, as in textiles, meats, beverages, and paper products. The current general level of industrial production is about the same as in the fall of 1941, and about one-third above the peak of 1937.

It likewise appears that reconversion's anticipated stimulation of unemployment was overestimated. Government officials now calculate unemployment at only about 3 million, in contrast to the War Manpower Commission's previous estimates of 6 million by the end of 1945.

* * *

In President Truman's reference to the "looking-at-the-books question" in his address to the country, he perfectly exemplified the widespread double-talk and cerebral confusion on the subject. Incontrovertibly and ackowledgedly American corporations are living in a fish-bowl of publicity. By existing law, all data which are deemed relevant to the public's interest concerning their fiscal and general operations and status, are periodically submitted to the Bureau of Internal Revenue, the SEC, the Department of Labor's Wages and Hours Division, the Interstate Commerce Commission, et al.

Hence the current controversy resolves itself into the simple truth that:—(a) either the unions are sincere in wanting merely to find **the facts**, or they are seeking something more; (b) the facts are available to them already; (c) if they are not satisfied therewith, let them unequivocally state what more it is that they do want.

* * *

The amount and kind of company information which American law and administrative regulation elicit are incomparably greater than in any other country. This emphatically includes even socialistic England, the contemplated reforms of whose Companies Act will fall far short of our regulations.

* * *

In contrast to the confusion over union aims, Mr. Truman's goal, as revealed in his last week's address, seems crystal clear. Namely to please every segment of the population excepting only "Big Business." Incidentally, if his urgings should bring about a full-fledged Union-of-Lobbyists, out of gratitude it presumably will become an affiliate of his protege, the CIO.

* * *

Latest item of Russian behavior which remains inscrutable to some "uncooperative" Americans:—the statement by our State Department that the Soviet Government's explanation for its nonratification of the Bretton Woods Agreements was that despite the fact that it had signed them a year and a half ago and had participated in the preliminary talks, "more time was needed for study." (!!!)

Steel Operations Increased—Demand on Mills Heavy—Gov't Steps May Delay Strike Action

"With the shadow-boxing of government, labor and industry reaching crescendo proportions this week over the steel wage controversy, there were no definite indications at mid-week that the main bout in the form of an industrywide steel strike would not take place next week," states "The Iron Age," national metalworking paper, in its issue of today (Jan. 10), which further adds:

"Basically the steel union set the strike to enforce its demand for a $2 a day increase but subsequently indicated that a lower amount would be considered. The question of steel price increases this week while nearing a conclusion is not necessarily tied in with any possible postponement of the steel strike.

"President Truman's remarks to the effect that there would be a 'slight' increase in steel prices after steel company fourth quarter earnings are analyzed gave little solace to the steel industry. Such remarks left the steel price situation practically where it was more than a month ago.

"A price adjustment has been demanded by the industry as a prerequisite for further wage negotiations, but such an increase would have no bearing upon how much of a wage increase could be granted because the industry plans to ask OPA for another price adjustment to cover any wage increase.

"There is belief in the industry that the OPA steel price adjustment which is expected to be granted within the next week or so will fall far short of the industry's $7 a ton demand. It is expected, however, that even though a base price averaging around $2 to $2.50 a ton is granted, adjustments will be made on steel extras which would result in a greater net price return.

"Pressure from customers anxious to secure delivery before a steel strike occurs in order to build up inventories reached unusual proportions this week. These attempts were useless, however, because the industry, already far behind on deliveries, was unable to give any better service than has been the case for the last few months.

"Most notable development among strikebound consuming industries was notification to steel suppliers by General Motors that shipments to holding points scheduled for January should be halted. The action apparently did not affect equally all suppliers and all GM subsidiaries. One mill reports that Chevrolet had ordered shipments halted indefinitely but that no stop-order had been received from other manufacturing subsidiaries. General Motors now is believed to have steel stocks on hand adequate to provide at least 60 full days scale operation when manufacturing is resumed.

"Some mills have not been delivering full tonnages allowed under GM quotas in the belief that the steel should be diverted elsewhere so that it could be used immediately. The present GM stop-order on deliveries will help some other steel consumers but in the overall picture it will not go far towards easing shortages.

"Steel orders this past week continued at the same high level noted since the general pickup in volume after VJ-Day and apparently have reached the plateau reflecting a level of reconversion production.

"A steel strike would be felt by most steel consumers within a period of one to two weeks because inventories are not large and customers have had no opportunity to build up supplies."

The American Iron and Steel Institute on Jan. 7 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 82.0% of capacity for the week beginning Jan. 7, compared with 80.6% one week ago, 82.9% one month ago and 91.6% one year ago. This represents an increase of 1.4 points or 1.7% from the preceding week. The operating rate for the week beginning Jan. 7 is equivalent to 1,502,000 tons of steel ingots and castings, compared to 1,476,300 tons one week ago, 1,518,400 tons one month ago, and 1,677,500 tons one year ago.

It is expected that the industry will soon complete revision of its ingot capacity figures reflecting the elimination of some obsolete equipment. While actual output may not change the percentage of operations figure will become higher because of the drop in rated capacity after the revision is made.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Jan. 7 stated in part as follows:

"Consumers of steel, as well as steelmakers, are heartened by efforts of the national administration to avert the strike of steelworkers set for Jan. 14, effects of which, if prolonged, would result in widesepread economic paralysis.

"Appointment of the fact-finding board and efforts to delay the actual walkout until the Office of Price Administration can complete review of steel company earnings and decide definitely whether increased prices can be allowed are steps bearing directly on the crucial points and may provide a solution short of actual cessation of production.

"Steel producers foresee months of active operations when labor conditions are adjusted and have entered the year with heavy backlogs, extending six months or more in many instances. Light flat-rolled products continue in principal demand, with shapes, bars and some wire products also under heavy pressure and plates in greater demand than had been expected at the end of the war. Some plate tonnage is available for April but most producers are booked well into second quarter in spite of shipbuilding decline to almost nothing.

"Contributing principally to activity in flat-rolled products are needs of automotive and household appliance manufacturers, with consumption in these lines expected to exceed all previous levels when labor is stabilized. Tin plate requirements, domestic and export, are heavy.

"Bar business reflects large needs of the automobile industry and expanding needs of railroads, highway builders and many miscellaneous users. Structural shape producers, already booked an average of four to five months, expect further expansion as soon as building construction is released from price uncertainties and lack of labor.

"Railroad car builders enter the year with about 45,000 domestic cars on order and a moderate backlog of export business, which should be increased soon by placing of 36,500 cars for France. However, this will leave ample capacity for additional cars as commercial shops have facilities for building 160,000 cars per year and railroad shops more than 50,000 units. A buying flurry at the year-end brought domestic car orders for 1945 to about 45,000 cars, somewhat less than the 53,200 placed by American railroads in 1944.

"For the first time since 1940 prices of Lake Superior iron ore have been changed, Office of Price Administration as of Dec. 29 allowing an increase of 10 cents per ton on Mesabi bessemer and nonbessemer and 20 cents per ton on old range bessemer and nonbessemer, high phosphorus, manganiferous and siliceous ore also were given 20 cents additional. These higher prices apply retroactively to the entire 1945 ore season but only on ore mined for sale, which constitutes about 25% of total tonnage. Ore mined by steelmakers for their own use is not affected.

"Pig iron production in November recovered somewhat from the low tonnage of October, reaching 4,025,958 net tons, compared with 3,388,127 tons in October, when fuel scarcity caused banking of many stacks. In November, 1944, the total was 4,904,011 tons."

50% Cut in Social Security Tax Justified for Next Ten Years, House Committee Finds

A 50% reduction in the pay-roll tax, now being levied at the rate of 1% each on employer and employee for old-age insurance, could be justified for the next 10 years without jeopardizing reserves, provided present benefits are not increased, it is disclosed in a study of the Social Security tax structure being made for the House Ways and Means Committee. According to advices to the New York "Herald Tribune" from its Washington bureau, in which the foregoing was reported, that conclusion is to be set forth in a report of the experts, headed by Leonard J. Calhoun, former Navy Commander, which will be submitted to the Committee when Congress reconvenes Jan. 14. It is based on an accumulation of reserves aggregating almost $7,000,000,000 as a result of the high collections in the war years The "Herald Tribune" account went on to say:

The status of this tax, in addition to other features of the Social Security law, including particularly the 3% pay-roll levy on employers for unemployment compensation, will be the first business of the Committee, Chairman Robert L. Doughton, Democrat, of North Carolina, has announced.

The present 1% pay-roll tax has been "frozen" by Congress three times, including its application for 1946, because of the failure of the Social Security Board to justify the increase provided for in the present law. Unless changed, the tax will rise automatically Jan. 1, 1947, to 2½% each on employer and employee.

If the tax were cut by half, as the current reserves appear to justify, unless benefits are increased, the savings to employers and employees would amount to between $325,000,000 and $350,000,000 annually on the basis of prospective business activity, the Ways and Means Committee experts have estimated.

Unless the present plans are changed, Committee members will deal with the financing of the old-age and survivors' benefits before giving detailed consideration to the recommendations of President Truman and the Social Security Board to broaden present coverage and adopt a comprehensive public health and hospitalization program.

Require Reports of Property Owned by Axis Nationals

Alien Property Custodian James E. Markham issued on Dec. 28 at Washington an order requiring reports on all property in the United States and possessions owned by nationals of Germany and Japan. Mr. Markham said that the reports are required as part of the Government's program to eliminate German and Japanese economic power in the U. S. He added that last summer President Truman signed an order giving the Custodian authority to take over German and Japanese cash and securities. This property at present is frozen by the Treasury Department. As soon as up-to-date reports have been field with the APC, Mr. Markham said, seizure of these enemy properties will be undertaken by the Government. The advices from Mr. Markham's office also said:

"Under the regulation—APC General Order No. 34, effective December 31, 1945—a national of Germany or Japan includes any person who on or since June 14, 1941, has been a resident or a subject of either country and any organization wherever located in which a German or Japanese has had an interest. The Custodian explained that Germany in a territorial sense referred to that country's boundaries on March 1, 1938, and Japan as it was constituted on December 7, 1941."

Mr. Markham pointed out that the order applies to any person who has custody, control or possession of property owned by German or Japanese nationals and to any person who has cause to believe that property or interest in property may be owned or controlled by a German or Japanese national. Persons whose property is exempted from the reporting requirements, Mr. Markham said, are residents of the U. S. on December 31, 1945; members of armed forces and civilian employees of any of the five occupying powers, other than citizens of Germany and Japan.

Forms and instructions for reporting property may be obtained from any Federal Reserve Bank, the Governor or High Commissioner of a Territory or Possession of the United States, or from the Offices of the Alien Property Custodian. Mr. Markham said reports on Form APC-56 must be filed in duplicate on or before Feb. 28. The completed forms should be mailed to the Office of Alien Property Custodian, Washington 25, D. C., except for persons in Hawaii and the Philippines who should send them to the APC offices in Honolulu and Manila, respectively.

Foreign Countries Still Owe on World War I Debts

Foreign countries still owed the United States $14,791,340,307 in World War I debts on July 1, the Treasury Department stated on Dec. 10, according to United Press advices from Washington in the Chicago "Journal of Commerce," from which we also quote:

"Total indebtedness" includes unpaid principal, interest postponed and payable under moratorium agreements, and interest accrued and unpaid under the agreements.

The United States has not forgiven any World War I debts.

The following table includes total payments by countries, of principal and interest on the debts. The debts of Russia and Armenia were not funded, however:

Country—	Total Indebtedness	Principal Paid	Interest Paid
Armenia	$27,391,072	----------	----------
Belgium	503,579,077	$19,157,630	$33,033,642
Czechoslovakia	175,072,336	19,829,914	304,178
Estonia	24,491,700	----------	1,248,431
Finland	8,574,063	1,157,868	5,847,626
France	4,606,635,664	226,039,588	260,036,302
Germany (Austrian debt)	26,024,539	832,668	----------
Great Britain	6,415,664,782	434,181,641	1,590,667,175
Greece	36,873,535	983,922	3,143,133
Hungary	2,740,938	73,955	482,924
Italy	2,052,213,409	37,464,319	63,365,560
Latvia	10,114,980	9,200	752,349
Lithuania	9,064,140	234,783	1,003,172
Poland	306,497,824	1,287,297	21,359,000
Rumania	74,926,280	4,498,632	292,374
Russia	448,079,238	----------	8,750,312
Jugoslavia	63,396,719	1,952,000	636,059

December Civil Engineering Construction Totals $238,009,000

Civil Engineering construction volume in continental United States totals $238,009,000 for December, an average of $59,502,000 for each of the four weeks of the month. This average volume is 6% below the average for the five weeks of November, but is 155% greater than the weekly average for December 1944 according to "Engineering News-Record." The report issued on Jan. 3 continued in part as follows:

Private construction for December on a weekly average basis, while 7% lower than November is 1,019% greater than December 1944. State and municipal construction, on a weekly average basis, recorded a 5% increase over the preceding month and a 139% increase over the corresponding month of 1944. Public construction dropped 2% below November and 16% below December 1944. Federal construction, down 26% below November and 71% below December 1944.

Civil engineering construction volumes for December 1945, November 1945, and December 1944, are:

	Dec., 1945 (four weeks)	Nov., 1945 (five weeks)	Dec., 1944 (four weeks)
Total U. S. Construction	$238,009,000	$315,709,000	$93,257,000
Private Construction	172,370,000	232,067,000	15,403,000
Public Construction	65,639,000	83,642,000	77,854,000
State & Municipal	44,962,000	48,786,000	17,111,000
Federal	20,677,000	34,856,000	60,743,000

December averages in the various classes of construction compared with those for last month show gains in bridges, 155%; highways, 33%; waterworks, 7%; and industrial buildings, 3%. Losses were recorded for earthwork and drainage, 62%; unclassified, 51%; commercial buildings, 13%; public buildings, 12%; and sewerage, 5%.

NEW CAPITAL

New capital for construction purposes for the four weeks of December 1945 totals $71,189,000, an increase of 145% over the $29,072,000 reported for December 1944, and 85% greater than the five-week month of November 1945. The current month's new financing for construction purposes is made up of $55,674,000 in corporate securities and $15,515,000 in state and municipal bond issues.

Industrial Building Volume for 1945 at an All Time High

Private industrial building volume within the continental United States soared to $635,170,000 in 1945—an all time high—according to data tabulated and recorded by "Engineering News-Record," covering projects of $40,000 and over in size. This volume for 1945 is 7% greater than the previous high year of 1940, when $594,000,000 was recorded as the industrial building volume, and 265% greater than the last full war year of 1944.

The effect of the progress of the war during 1945 is reflected sharply in industrial building volume on a weekly average basis. Between January 1, 1945, and May 8, 1945, the end of the war with Germany, private industrial building on a weekly average basis was $6,000,000; between May 8, and the surrender of the Japanese on Aug. 15, the weekly average had jumped to $12,000,000; and from the cessation of all hostilities to the end of the year the weekly average increased greatly to the $21,000,000 rate.

Private industrial building's monthly cumulative totals during 1945 are:

(Millions of Dollars)

Month		Month	
January	$24.9	July	$202.2
February	39.5	August	263.6
March	81.4	September	362.0
April	112.8	October	437.6
May	132.3	November	545.7
June	180.7	December	635.2

Bank Debits for Month of November

The Board of Governors of the Federal Reserve System issued on Dec. 11 its usual monthly summary of "bank debits" which we give below:

SUMMARY BY FEDERAL RESERVE DISTRICTS
(In millions of dollars)

			—3 Months Ended—	
Federal Reserve District—	Nov. 1945	Nov. 1944	Nov. 1945	Nov. 1944
Boston	3,638	3,734	10,401	10,240
New York	34,652	32,439	102,676	92,455
Philadelphia	3,564	3,963	9,992	10,170
Cleveland	4,697	5,136	13,672	14,689
Richmond	3,000	2,890	8,925	8,339
Atlana	2,767	2,575	7,882	7,551
Chicago	10,941	11,887	31,969	34,583
St. Louis	2,332	2,249	6,509	6,397
Minneapolis	1,658	1,517	5,001	4,468
Kansas City	2,566	2,511	7,524	7,283
Dallas	2,354	2,124	6,608	6,310
San Francisco	7,233	6,748	21,027	19,569
Total, 334 centers	79,401	77,775	232,186	222,055
*New York City	32,246	30,016	95,775	85,434
*140 other centers	39,255	40,381	113,978	115,482
193 other centers	7,900	7,378	22,432	21,138

*Included in the national series covering 141 centers, available beginning in 1919.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES
(Based on Average Yields)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Jan. 8	125.55	118.00	121.67	120.22	117.80	112.56	114.85	118.20	121.04
7	125.30	118.00	121.67	120.22	117.60	112.56	114.85	118.20	120.84
5	125.22	117.80	121.46	120.02	117.60	112.37	114.66	118.00	120.84
4	125.18	117.80	121.67	119.82	117.60	112.37	114.66	117.80	120.84
3	125.03	117.60	121.67	119.82	117.40	112.19	114.46	117.80	120.84
2	124.97	117.60	121.46	119.82	117.40	112.19	114.46	117.80	120.63
1	Stock	Exchange	Closed						
Dec. 28, 1945	124.67	117.40	121.25	119.82	117.40	112.00	114.27	117.60	120.63
21	124.28	117.20	121.04	119.41	117.20	111.44	114.08	117.20	120.22
14	124.17	117.00	120.84	119.41	117.20	111.25	113.89	117.20	100.22
7	124.06	116.80	120.63	119.41	117.00	110.88	113.50	117.00	120.22
Nov. 30	123.81	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
23	123.70	116.80	120.84	119.41	117.00	110.70	113.50	116.80	120.22
16	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22
9	123.28	116.61	120.63	119.41	116.61	110.34	113.12	116.80	120.02
2	123.05	116.61	120.63	119.41	116.41	110.15	113.12	116.80	120.02
Oct. 26	122.92	116.22	120.63	119.20	116.22	109.60	112.93	116.41	119.82
Sept. 28	122.19	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	124.84	117.60	121.25	119.82	117.40	112.00	114.46	117.60	120.63
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Jan. 8, 1945	120.78	113.50	119.00	117.80	113.50	104.66	108.70	113.70	118.20
2 Years Ago									
Jan. 8, 1944	119.71	111.07	118.60	116.41	111.07	99.36	103.80	113.50	116.22

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Jan. 8	1.36	2.75	2.57	2.64	2.76	3.03	2.91	2.74	2.60
7	1.38	2.75	2.57	2.64	2.77	3.03	2.91	2.74	2.61
5	1.38	2.76	2.58	2.65	2.77	3.04	2.92	2.75	2.61
4	1.38	2.76	2.57	2.66	2.77	3.04	2.92	2.76	2.61
3	1.40	2.77	2.57	2.66	2.78	3.05	2.93	2.76	2.61
2	1.40	2.77	2.58	2.66	2.78	3.05	2.93	2.76	2.62
1	Stock	Exchange	Closed						
Dec 28, 1945	1.42	2.78	2.59	2.66	2.78	3.06	2.94	2.77	2.62
21	1.45	2.79	2.60	2.68	2.79	3.09	2.95	2.79	2.64
14	1.46	2.80	2.61	2.68	2.79	3.10	2.96	2.79	2.64
7	1.47	2.81	2.62	2.68	2.80	3.12	2.98	2.80	2.64
Nov. 30	1.49	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
23	1.50	2.81	2.61	2.68	2.80	3.13	2.98	2.81	2.64
16	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.64
9	1.53	2.82	2.62	2.68	2.82	3.15	3.00	2.81	2.65
2	1.55	2.82	2.62	2.68	2.83	3.16	3.00	2.81	2.65
Oct. 26	1.56	2.84	2.62	2.69	2.84	3.19	3.01	2.83	2.66
19	1.55	2.84	2.62	2.69	2.84	3.20	3.02	2.83	2.66
11	1.57	2.84	2.61	2.70	2.84	3.20	3.03	2.84	2.65
5	1.59	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
Sept. 28	1.63	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
Aug. 31	1.65	2.85	2.61	2.70	2.84	3.25	3.03	2.85	2.68
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.41	2.77	2.59	2.66	2.78	3.06	2.93	2.77	2.62
1 Year Ago									
Jan. 8, 1945	1.78	2.98	2.70	2.76	2.98	3.47	3.24	2.97	2.74
2 Years Ago									
Jan. 8, 1944	1.85	3.11	2.72	2.83	3.11	3.79	3.52	2.98	2.84

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE— The list used in compiling the averages was given in the Nov. 22, 1945 issue of the "Chronicle" on page 2508.

Signing of Revised GI Bill of Rights— Cost Estimated Between 10 and 15 Billion

With the signing on Dec. 28 of the measure liberalizing the GI Bill of Rights, President Truman may have added as much as $10,000,000,000 to $15,000,000,000 to the future tax bill it was stated in United Press advices from Washington on Dec. 30, which observed that "that sum is just a starter on the over-all bill for veterans' benefits of World War II. The figure is so high Veterans' Administration budget experts won't even guess at it."

In further comments of the United Press (Dec. 30) given in Washington advices in the New York "Herald Tribune" it was said in part:

Omar Ketchum, legislative director of the Veterans of Foreign Wars, said tonight that in the next 25 years World War II benefits may cost $100,000,000,000.

Since the Revolutionary War and through fiscal 1945 relief for veterans of all wars has cost $28,000,000,000. The current fiscal year alone will boost this figure by $4,000,000,000.

Next year VA's budget will jump to $5,000,000,000, and that figure will be duplicated or increased in the several following years. Thus, the VA will spend as much in the next half dozen years as it and its predecessors spent in 150 years.

The annual Veterans' Administration bill will far exceed what the whole Federal Government spent, say, in fiscal 1930, when the budget was $3,440,268,884. The rise in veterans' benefits parallels closely the rise in magnitude and cost of wars. World War II cost around $300,000,000,000. It produced 12,000,000 veterans, compared to 4,000,000 in World War I.

The new GI Bill of Rights signed by President Truman was finally approved by Congress on Dec. 19 when the conference report on the bill was adopted by the House by a standing vote, 134 to 23, the Senate also adopting it at the same time.

In the Dec. 30 United Press Washington accounts from which we quoted above it was noted that the GI bill, with its free education, loan guaranties and unemployment compensation—all new in the history of veterans' benefits—was originally estimated to cost from $8,000,000,000 to $10,000,000,000. Continuing those advices said:

Mr. Ketchum said that estimate might now be raised to $15,000,000,000 with new allowances for GI scholars and with the possibility that more veterans than originally contemplated might take advantage of the $20 weekly unemployment allowance.

Even more significant, Congress wiped out a clause under which each veteran's benefits under the GI bill would have been deducted from any future bonus. Several bonus bills have already been introduced.

Pension costs, just getting started for World War II, will be so big Veterans' Administration officials won't even estimate them. It will be years before they reach a peak.

Mr. Ketchum said that a "very conservative" guess would be $50,000,000,000. World War I costs so far total $5,500,000,000, and the number of living veterans on the rolls began to fall only in 1942.

Unlike pensions and hospitalization costs, expenses under the GI bill will cease in a stated number of years. For instance, GI unemployment allowances — which have cost more than $100,000,000 so far and which might run into billions—will be ended two years after the war.

Cost estimates on bonus bills now in Congress run from $25,000,000,000 to $50,000,000,000. The World War I bonus cost less than $4,000,000,000.

The revision of the bill by Congress was referred to in our issue of Dec. 27, page 3184.

Moody's Daily Commodity Index

Tuesday, Jan. 1, 1946	*
Wednesday, Jan. 2	264.7
Thursday, Jan. 3	264.7
Friday, Jan. 4	264.7
Saturday, Jan. 5	264.7
Monday Jan. 7	264.7
Tuesday, Jan. 8	264.7
Two weeks ago, Dec. 26, 1945	264.8
Month ago, Dec. 8	264.5
Year ago, Jan. 8	255.3
1945 High, Dec. 27	265.0
Low, Jan. 24	252.1
1946 High, Jan. 2	264.7
Low, Jan. 2	264.7

*Holiday.

Federal Reserve November Business Indexes

The Board of Governors of the Federal Reserve System issued on Dec. 21 its monthly indexes of industrial production, factory employment and payrolls, etc. At the same time, the Board made available its customary summary of business conditions. The indexes for November, together with a comparison for a month and a year ago follow:

BUSINESS INDEXES

1939 average = 100 for factory employment and payrolls;
1923-25 average = 100 for construction contracts;
1935-39 average = 100 for all other series

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	1945 Nov.	1945 Oct.	1944 Nov.	1945 Nov.	1945 Oct.	1944 Nov.
Industrial production—						
Total	*171	163	232	*171	165	232
Manufactures—						
Total	*177	171	243	*177	174	248
Durable	*198	191	341	*198	192	341
Nondurable	*160	155	173	*161	159	173
Minerals	*137	119	143	*134	121	141
Factory employment—						
Total	*121.9	120.9	162.6	*122.3	121.5	163.0
Durable goods	*137.4	136.7	219.0	*137.6	136.8	219.2
Nondurable goods	*109.7	108.4	118.1	*110.2	109.5	118.6
Factory payrolls—						
Total	---	---	---	†	213.5	331.8
Durable goods	---	---	---	†	235.3	457.2
Nondurable goods	---	---	---	†	192.1	209.2
Freight carloadings	133	118	141	136	128	144
Department store sales, value	228	213	205	276	230	248
Department store stocks, value	†	159	144	†	177	166

*Preliminary. †Data not yet available.

Note—Production, carloading, and department store sales indexes based on daily averages. To convert durable manufactures, nondurable manufactures, and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, nondurable by .469, and minerals by .152.

Construction contract indexes based on 3-month moving averages, centered at second month, of F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in the Federal Reserve Chart Book, multiply total by $410,269,000, residential by $154,137,000, and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics.

INDUSTRIAL PRODUCTION
(1935-39 average = 100)

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	1945 Nov.	1945 Oct.	1944 Nov.	1945 Nov.	1945 Oct.	1944 Nov.
Manufactures—						
Iron and steel	*166	146	201	*166	146	201
Pig iron	†	129	192	†	129	192
Steel	178	159	218	178	159	218
Open hearth	161	139	186	161	139	186
Electric	297	307	453	297	307	453
Machinery	*241	237	422	*241	237	422
Transportation equipment	*270	274	699	*270	274	699
Automobiles	*150	137	230	*150	137	230
Nonferrous metals and products	†	*147	234	†	*147	234
Smelting and refining	†	*147	191	†	*147	191
Lumber and products	*97	91	122	*96	94	120
Lumber	*83	76	112	*81	82	109
Furniture	*126	120	141	*126	120	141
Stone, clay and glass products	*160	*159	150	*165	*165	163
Plate glass	4	50	56	4	50	56
Cement	†	106	88	†	123	95
Clay products	*119	*113	116	*124	*119	121
Gypsum and plaster products	*186	*177	175	*188	*182	177
Abrasive & asbestos products	*207	*210	295	*207	*210	295
Textiles and products	*150	*143	149	*150	*143	149
Cotton consumption	133	128	149	133	128	149
Rayon deliveries	*225	215	209	*225	215	209
Wool textiles	†	†	143	†	†	143
Leather products	†	112	116	†	113	118
Tanning	†	108	112	†	109	116
Cattle hide leathers	†	121	122	†	122	127
Calf and kip leathers	†	89	84	†	91	86
Goat and kid leathers	†	51	81	†	51	79
Sheep and lamb leathers	†	145	144	†	145	153
Shoes	†	115	119	†	115	119
Manufactured food products	*153	*144	154	*154	*154	155
Wheat flour	*135	*131	125	*137	*139	126
Meatpacking	*161	129	158	*178	133	175
Other manufactured foods	*155	*149	155	*161	*166	161
Processed fruits & vegetables	*133	127	145	*122	163	133
Tobacco products	†	167	135	†	173	137
Cigars	†	111	105	†	111	105
Cigarettes	†	216	157	†	225	160
Other tobacco products	†	96	107	†	103	110
Paper and products	†	*143	143	†	*143	143
Paperboard	158	157	160	158	157	160
Newsprint production	81	79	81	82	79	82
Printing and publishing	*114	115	103	*118	117	107
Newsprint consumption	96	96	36	104	101	93
Petroleum and coal products	†	†	268	†	†	268
Petroleum refining	†	†	283	†	†	283
Gasoline	*152	*129	144	*152	*129	144
Fuel oil	†	†	165	†	†	165
Lubricating oil	†	†	136	†	†	136
Kerosene	†	†	124	†	†	128
Coke	†	116	170	†	116	170
Byproduct	†	115	164	†	115	164
Beehive	*246	144	367	*246	144	367
Chemicals	*234	*232	307	*235	*234	308
Rayon	*242	*242	242	*242	*242	242
Industrial chemicals	*386	*377	394	*386	*377	394
Rubber	*199	187	231	*199	187	231
Minerals—						
Fuels	*142	*121	148	*142	*121	148
Bituminous coal	*159	110	155	*159	110	155
Anthracite	*112	120	126	*112	120	126
Crude petroleum	*139	*126	148	*139	*126	148
Metals	†	*107	112	†	*115	89
Iron ore	---	---	---	†	245	133

*Preliminary or estimated. †Data not yet available.

FREIGHT CARLOADINGS
(1935-39 average = 100)

Coal	148	109	‡142	148	109	‡142
Coke	167	113	181	167	111	181
Grain	167	158	150	164	158	147
Livestock	145	123	135	183	189	170
Forest products	110	109	138	108	115	135
Ore	134	‡134	153	114	215	138
Miscellaneous	133	125	149	139	136	155
Merchandise, l.c.l.	74	69	68	75	72	70

‡Revised.

Note—To convert coal and miscellaneous indexes to points in total index, shown in the Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

U. S. Savings Bonds Issued and Redeemed Through Nov. 30, 1945

(Dollar amounts in millions—rounded and will not necessarily add to totals)

	*Amount Issued	*Amount Redeemed	†Amount Outstdg.	% Redeemed of Amount Issued
Series A-D:				
Series A-1935	$255	‡$197	$58	77.25
Series B-1936	451	121	330	26.83
Series C-1937	558	139	419	24.91
Series C-1938	624	131	493	20.99
Series D-1939	975	173	802	17.74
Series D-1940	1,164	174	990	14.95
Series D-1941	503	61	442	12.13
Total Series A-D	$4,531	$997	$3,534	22.00
Series E:				
Series E-1941	$1,414	$208	$1,205	14.71
Series E-1942	6,434	1,500	4,934	23.31
Series E-1943	10,589	2,878	7,711	27.18
Series E-1944	12,454	3,061	9,393	24.58
Series E-1945 (11 mo.)	§8,451	1,320	§7,132	15.62
Total Series E	$39,342	$8,967	$30,375	22.79
Unclassified Redemptions:				
Series A-E	----	$112	—$112	----
Total Series A-E	$43,872	$10,075	$33,798	22.96
Series F and G:				
Series F and G-1941	$1,520	$123	$1,396	8.09
Series F and G-1942	3,161	257	2,904	8.13
Series F and G-1943	3,339	228	3,111	6.83
Series F and G-1944	3,673	125	3,548	3.40
Series F and G-1945 (11 months)	2,728	12	2,716	0.44
Total Series F and G	$14,422	$746	$13,675	5.17
Total all Series	$58,294	$10,821	$47,473	18.56

*Includes accrued discount. †Current redemption values. ‡Includes redemptions of bonds which matured March-November, 1945. §Includes $91,000,000 reported on public debt statement as "unclassified sales."

Bankers' Dollar Acceptanes Outstanding on .October 31 $128,035,000

The volume of bankers' dollar acceptance outstanding on Oct. 31 amounted to $134,592,000, an increase of $59,000 from the Sept. 29 total, according to the monthly acceptance survey issued Nov. 19 by the Federal Reserve Bank of New York. As compared with a year ago, the Oct. 31 total represents a gain of $19,639,000.

In the month-to-month comparison, exports, domestic shipments and those based on goods stored in or shipped between foreign countries were higher and imports, domestic warehouse credits and dollar exchange were lower, while in the yearly analysis all the items except exports and domestic shipments were higher in October, 1945 than a year ago.

The Reserve Bank's report follows:

MONTHLY ACCEPTANCE SURVEY
BANKERS DOLLAR ACCEPTANCES OUTSTANDING—UNITED STATES
BY FEDERAL RESERVE DISTRICTS

Federal Reserve District—	Oct. 31, '45	Sept. 29, '45	Oct. 31, '44
1 Boston	$16,218,000	$17,196,000	$17,852,000
2 New York	80,081,000	79,690,000	74,483,000
3 Philadelphia	9,628,000	10,114,000	6,311,000
4 Cleveland	1,947,000	2,073,000	1,813,000
5 Richmond	1,399,000	1,007,000	740,000
6 Atlanta	4,188,000	3,281,000	2,476,000
7 Chicago	4,459,000	4,712,000	2,859,000
8 St. Louis	350,000	292,000	634,000
9 Minneapolis	122,000	134,000	50,000
10 Kansas City	------	------	------
11 Dallas	517,000	692,000	220,000
12 San Francisco	15,683,000	15,342,000	7,515,000
Grand Total	$134,592,000	$134,533,000	$114,953,000

Increase for month $59,000 Increase for year $19,639,000

ACCORDING TO NATURE OF CREDIT

	Oct. 31, '45	Sept. 29, '45	Oct. 31, '44
Imports	$94,564,000	$97,569,000	$79,144,000
Exports	11,985,000	10,551,000	12,653,000
Domestic shipments	9,280,000	8,281,000	9,289,000
Domestic warehouse credits	12,963,000	14,499,000	11,706,000
Dollar exchange	148,000	225,000	48,000
Based on goods stored in or shipped between foreign countries	5,652,000	3,408,000	2,113,000

The increase in acceptances created during October was considerably less than the normal increase which occurs in October. The decrease in imports was partially due to a slackening in importations of coffee while the increase in bills based on goods stored in or shipped between foreign countries was partially due to the storage of sugar bags in Cuba.

BILLS HELD BY ACCEPTING BANKS

Own bills $53,346,000 Bills of others $46,253,000 Total $99,599,000
Decrease for month $3,971,000

CURRENT MARKET RATES ON PRIME BANKERS ACCEPTANCES NOV. 19, 1945

Days	Dealers' Buying Rates	Dealers' Selling Rates
30	½	7/16
60	½	7/16
90	½	7/16
120	9/16	½
120	9/16	½
150	⅝	9/16
180	⅝	9/16

The following table, compiled by us, furnishes a record of the volume of bankers' acceptances outstanding at the close of each month since August, 1942:

1942—	$	1943—	$	1944—	$
Oct. 31	118,581,000	Nov. 30	111,289,000	Nov. 30	115,336,000
Nov. 30	116,067,000	Dec. 31	116,814,000	Dec. 30	128,944,000
Dec. 31	118,039,000				
1943—		1944—		1945—	
Jan. 30	119,682,000	Jan. 31	120,497,000	Jan. 31	129,743,000
Feb. 27	127,062,000	Feb. 29	134,772,000	Feb. 28	126,269,000
Mar. 31	129,818,000	Mar. 31	129,358,000	Mar. 31	127,512,000
Apr. 30	128,350,000	Apr. 29	125,566,000	Apr. 30	116,825,000
May 29	135,815,000	May 31	113,139,000	May 31	104,356,000
June 30	139,846,000	June 30	111,675,000	June 30	106,893,000
July 31	110,250,000	July 31	138,692,000	July 31	116,717,000
Aug. 31	130,244,000	Aug. 31	109,632,000	Aug. 31	128,035,000
Sept. 30	117,016,000	Sept. 30	111,101,000	Sept. 29	134,533,000
Oct. 30	114,883,000	Oct. 31	114,953,000	Oct. 31	134,592,000

V. A. Medical Bureau Legislation Signed

President Truman signed on Jan. 3 legislation establishing a department of medicine in the Veterans' Administration, in spite of opposition by Civil Service officials who have declared, according to Associated Press Washington advices, that the bill sets an unwise precedent in permitting the agency to organize its own staff of doctors and nurses without regard to civil service rules. The new department of medicine and surgery will replace the present Veterans' Administration system which is under Civil Service. The President wrote to Gen. Omar N. Bradley, Veterans Administrator, stating that he had approved the bill and requesting that, in carrying out its provisions, the Administrator "develop a system of recruitment and placement which will grant priority to qualified veterans and which will also provide against any possible discrimination because of race, color or creed.

Besides establishment of a medical department outside civil service jurisdiction, the following are the major provisions of the new act as reported by Robert E. Nichols from Washington Jan. 3 to the New York "Herald Tribune":

"1. Payment of 25% more salary up to a ceiling of $11,000 a year to specialists certified by the V. A.

"2. Setting up of residences in V. A. hospitals where young doctors may study to qualify as specialists. 'This will mean that veterans will be able to obtain the most up-to-date medical treatment—the same kind as if they were admitted to hospitals connected with the nation's leading medical schools,' V. A. officials said.

"3. Promoting of medical officers upon recommendation of special V. A. boards, 'which in general compare with the "selection boards" operating in the army and Navy for higher ranking officers.'

"4. Delegation to the V. A. of authority for complete supervision of its own professional employes, based upon their professional competence, through the establishment of appointment, promotion and disciplinary boards."

Construction Contracts Awarded in November

F. W. Dodge Corporation reported on Dec. 31 that contracts were awarded in November for 10,953 new dwelling units to cost $72,577,000 in the thirty-seven States east of the Rocky Mountains. This was the largest number of new units to figure in contracts awarded in a single month since December, 1943, and the largest monthly dollar volume for such construction since June, 1942, a spokesman for the corporation said.

While contracts in both December, 1943 and June, 1942, involved a considerable amount of public housing, only 1% of November's total fell into that category. The November dollar volume of privately owned residential building exceeds that for any month since April, 1942, the corporation reported.

Contracts were awarded in November in the Eastern States for 15,481 new construction projects of all kinds involving an expenditure of $370,087,000. Of this total $207,671,000 was for non-residential building, principally structures to be use for manufacturing purposes. November construction advanced 17% above October's total and was 124% higher than in November, 1944, the corporation reported.

Dollar volume of all construction contracts in the thirty-seven Eastern States during the first eleven months of this year totaled $2,968,618,000 compared to $1,805,535,000 in the corresponding period of last year.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
Oct. 6	193,674	154,147	533,087	95	93
Oct. 13	135,756	160,031	506,935	97	94
Oct. 20	134,324	155,723	489,971	96	94
Oct. 27	140,583	156,551	468,549	98	94
Nov. 3	201,060	156,223	511,022	97	94
Nov. 10	162,023	157,617	509,984	97	94
Nov. 17	123,281	154,122	479,228	95	94
Nov. 24	123,781	147,083	454,926	91	94
Dec. 1	172,297	152,571	472,568	96	94
Dec. 8	173,537	164,235	490,123	97	94
Dec. 15	150,330	157,792	487,481	98	94
Dec. 22	122,229	148,591	451,654	92	94
Dec 29	97,323	78,862	462,446	52	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders

Civil Eng. Construction Totals $43,295,000 for a Short (Three-Day) Week

Civil engineering construction volume in continental United States totals $43,295,000 for a three-day week ending Jan. 3, 1946, as reported to "Engineering News-Record." This volume is 65% greater than the volume reported for last week and is 50% greater than the volume of the 1945 week; it is also 27% below the previous four-week moving average. The report issued on Jan. 3, went on to say:

The current week and the previous week are both three-day weeks due to the holidays, with private construction 52% greater than last week as well as 65% greater than the week last year. Public construction is 91% greater than last week and 32% greater than the week last year. State and municipal construction volume was 707% greater than that of last week and 131% greater than the 1945 week. Federal construction dropped 68% below last week and 66% below the week last year.

Civil engineering construction volume for the current week, last week, and the 1945 week are:

	Jan. 3, 1946	Dec. 27, 1945	Jan. 4, 1945
Total U. S. Construction	$43,295,000	$26,258,000	$28,809,000
Private Construction	26,642,000	17,559,000	16,181,000
Public Construction	16,653,000	8,699,000	12,628,000
State and Municipal	14,474,000	1,793,000	6,255,000
Federal	2,179,000	6,906,000	6,373,000

In the classified construction groups seven of the nine classes recorded gains this week over last week, as follows: sewerage, highways, earthwork and drainage, commercial buildings, public buildings, industrial buildings and unclassified. The weeks' totals saw four of the nine classes make gains over the week last year, they were: bridges, public buildings, earthwork and drainage, and commercial buildings.

NEW CAPITAL

New capital for construction purposes this week totals $32,099,000 and is made up of $28,440,000 in corporate securities and $3,659,000 in state and municipal bonds. The corresponding week of 1945 recorded a total of new capital of $40,240,000 with $10,215,000 of it for corporate securities and $30,025,000 in state and municipal bonds.

Non-Ferrous Metals — Substantial Tonnage Sold for January — Mexican Workers Strike

"E. & M. J. Metal and Mineral Markets," in its issue of Jan. 3, 1946, stated: "The beginning of the new year finds business in major non-ferrous metals at a high peacetime level, with the outlook obscured because of widespread labor difficulties. News reached here yesterday that mine and smelter workers at Mexican properties recovering silver, which would include most producers of lead and zinc, have voted to strike. The miners asked for a 40% pay increase. A long strike would curtail needed imports from Mexico of both lead and silver. Retroactive for all of the 1945 shipping season, OPA granted an increase in prices for iron ore produced for sale in the Lake Superior district. The supply situation in cadmium, which has been growing tighter, is to be reviewed in Washington shortly." The publication further went on to say in part:

Copper

Consumers will obtain about 100,000 tons of copper during January, according to latest trade estimates. This is a high rate of consumption, and, authorities believe, the month's total could easily have been higher except for fear of labor troubles that may reduce the needs of some consumers, as in the electrical industry.

Reports from Washington on the status of the foreign buying program were more encouraging. The matter now rests with the head of the Office of War Mobilization and Reconversion.

Lead

The news from Mexico disturbed consumers. Unless more metal is released from the stockpile to offset temporary shortages in receipts from Mexico, allocations may be reduced further, it is feared. Sales of lead in the domestic market for the week totaled 1,979 tons.

Production of refined lead in the United States in November came to 47,824 tons, against 47,462 tons in October, the American Bureau of Metal Statistics reports. The low in monthly production in 1945 was 32,691 tons in August, a period of reduced activity because of summer shutdowns. Increased production in recent months resulted to some extent from larger receipts of scrap treated in conjunction with primary metal. Dies used in forming airplane parts became available.

The domestic lead refinery statistics for October and November, in tons, are summarized as follows:

	Oct.	Nov.
Stock at beginning	36,514	39,629
Production:		
Domestic	42,005	39,991
Secondary and foreign	5,457	7,833
	47,462	47,824
Domestic shipments	44,347	44,766
Stock at end	39,629	42,671

Zinc

Buying interest in both Prime Western and Special High Grade was in evidence throughout the week. The supply situation in these grades at present is viewed as tight by most sellers. Whether this condition will continue depends largely on strike developments in the automotive and steel industries. Demand for zinc from the brass industry remains light.

Cadmium

The cadmium producers' advisory committee has been asked to meet with CPA officials on Jan. 8 to confer on the supply outlook. Production has declined, due to strikes, and demand now exceeds new supply by roughly 100,000 lb. a month. The stockpile, which stood at 1,225,971 lb. at the end of October, has dropped to around 850,000 lb. Controls on purchases by consumers are likely to be reinstated unless the buying movement moderates.

Tin

Sales of tin for export by the Office of Metals Reserve, RFC, have been exempted from price control by OPA, effective Dec. 31, 1945. Limited tonnages released for export will be sold on the basis of cost, which is well in excess of the 52c. ceiling on domestic transactions.

Bolivia exported the equivalent of 3,370 metric tons of tin in concentrates during November, against 2,786 tons in October. Exports in the Jan.-Nov. period contained 38,845 tons of tin, against 35,841 tons in the same period of 1944.

Forward quotations for Straits quality tin were nominally as follows, in cents per pound:

	Jan.	Feb.	March
Dec. 27	52.000	52.000	52.000
Dec. 28	52.000	52.000	52.000
Dec. 29	52.000	52.000	52.000
Dec. 31	52.000	52.000	52.000
Jan. 1		Holiday	
Jan. 2	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c per pound.

The British Colonial Office reports that only 22 dredges out of 126 that were in Malaya in 1941 are missing. Dredges that could be repaired by August are placed at 41, and by June next year (1947) at 46. It is estimated that 90% of the prewar rate of production from dredging operations can be expected by 1949.

Quicksilver

The market was inactive, but quotations continued at $108 to $110 per flask, spot. On forward business prices were more or less nominal, pending the resumption of buying.

Silver

Secretary Vinson stated recently that the Treasury's stock of "free" silver amounted to 436,000,000 oz. Of this total 183,000,000 oz. has been authorized for monetization. In the first eleven months of 1945, the Government released 139,000,000 oz. of silver for industrial use. This compares with 46,200,000 oz. in 1944 and 20,800,000 oz. in 1943, he said.

The New York official price for foreign silver continued at 70¾c. London was unchanged at 44d.

YEARLY AVERAGE PRICES—1941-1945
(E. & M. J. Averages)

	1941	1942	1943	1944	1945
Copper, domestic, f.o.b. refinery	11.797	11.775	11.775	11.775	11.775
Copper, export, f.o.b. refinery	10.901	11.684	11.700	11.700	11.700
Lead, common, New York	5.793	6.481	6.500	6.500	6.500
Lead, common, St. Louis	5.643	6.331	6.350	6.350	6.350
Zinc, Prime Western, St. Louis	7.471	8.250	8.250	8.250	8.250
Tin, Straits, New York	52.018	52.000	52.000	52.000	52.000
Silver, foreign, New York	34.783	38.333	44.750	44.750	51.928
Quicksilver (per flask 76-lb.)	$135.023	$196.346	$195.208	$118.358	$134.889
Antimony, domestic, New York	14.000	15.559	15.928	15.839	15.839
Platinum, refined	$36.000	$36.000	$35.083	$35.000	$35.000
Cadmium (producers' quotation)	82.443	90.000	90.000	90.000	90.000
Aluminum, 99 plus percent, ingot	16.500	15.000	15.000	15.000	15.000
Magnesium, ingot	24.000	22.500	20.500	20.500	20.500
Antimony, domestic, bulk, New York					15.265

National Fertilizer Association Commodity Price Index Declines

The weekly wholesale commodity price index compiled by the National Fertilizer Association and made public on Jan. 7 declined in the week ended Jan. 5, 1946, to 142.0, from the all-time peak of 142.3 which was registered in the preceding week. A month ago the index stood at 141.8, and a year ago at 140.1, all based on the 1935-1939 average as 100. The Association's report continued as follows:

Four of the composite groups of the general index declined during the latest week and one advanced. The farm products group declined substantially with two of the subgroups declining and one advancing. The cotton index declined somewhat. The grain index advanced with the higher prices for oats more than offsetting lower prices for rye. The livestock index declined sharply with lower prices for cattle, hogs, lambs and eggs much more than offsetting a rise in live poultry prices. Hay prices were higher during the latest week. The food index declined slightly. The textile index was fractionally lower. The chemical and drug index declined because of lower prices for denatured alcohol. The fuel index advanced due to higher quotations for kerosene. All other groups in the index remained unchanged.

During the week nine price series in the index declined and six advanced; in the preceding week one declined and nine advanced; in the second preceding week two declined and four advanced.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jan. 5, 1946	Preceding Week Dec. 29, 1945	Month Ago Dec. 8, 1945	Year Ago Jan. 6, 1945
25.3	Foods	143.9	144.1	144.6	143.9
	Fats and Oils	146.6	146.6	146.6	144.6
	Cottonseed Oil	163.1	163.1	163.1	160.7
23.0	Farm Products	171.0	172.9	172.8	165.9
	Cotton	232.8	233.2	231.8	207.2
	Grains	169.4	167.3	167.0	159.9
	Livestock	162.5	166.4	165.5	161.4
17.3	Fuels	129.4	129.0	129.5	130.4
10.8	Miscellaneous commodities	133.5	133.5	132.8	133.4
8.2	Textiles	159.2	159.3	161.7	156.1
7.1	Metals	110.2	110.2	110.2	105.8
6.1	Building materials	158.4	158.4	154.7	154.1
1.3	Chemicals and drugs	127.0	127.5	127.5	125.4
.3	Fertilizer materials	118.2	118.2	118.2	118.3
.3	Fertilizers	119.9	119.9	119.9	119.9
.3	Farm machinery	105.2	105.2	105.0	104.8
100.0	All groups combined	142.0	142.3	141.8	140.1

*Indexes on 1926-1928 base were: Jan. 5, 1946, 110.6; Dec. 29, 1946, 110.9, and Jan. 6, 1945, 109.1.

From Washington Ahead of The News

(Continued from first page)

would consider himself fired. But that is where the sturdiness, the rock-bottomness, the traits which are peculiarly American, or so we understand, come to the top through such a citizen as Chester Bowles.

You can appreciate the American enterprise, the spirit of initiative, the American fighting will of this man, when you see what he has done to overturn this decision of Congress. We suppose that nowhere else in the world would there be a man with such hardihood. That we have one in this country should give the lie to the contention that we have, as a people, become soft.

By way of showing Chester's initiative—and in the event he should lose his fight and leave America to the mercy of Congress, we think his high imagination ought to make him available to most any advertising firm—by way of showing his initiative, there was the Red Skelton radio program which gave us a pain in the neck. We were spending an evening, for want of something else better to do on this particular occasion, listening to the radio. Alleged comedian after alleged comedian kept telling us to be sure and wait for Red Skelton who was just back from the wars. It turned out that Red had never had either a gun or a typewriter in his hand, and we think a soldier should have at least one of these weapons when he goes forth to meet the enemy.

Well, this returning warrior, as before he went away, insisted upon playing the part of an unruly kid. In this character he gave us this holiday message:

"Oh, Lord, please put a world peace in my stocking, and please, Oh Lord, let us keep the OPA."

It would have been very funny if someone had asked this great moulder of public opinion, what is the OPA. He would have thought it was a gag.

But this is not all that the ingenious Chester Bowles has done. Every day in the thousands of allotment checks which are going out to the members of soldiers' families, there is a notice telling them to fight to keep the OPA.

If you think though that American resourcefulness stops at this, you are mistaken. Chester's men last fall went around to as many county fairs as possible. At these, they conducted auctions for automobiles, for refrigerators, for other long needed supplies. They whooped it up, told how hard they were to get. The customers bid up plenty high.

Then the smirking OPA representative would say, in effect:

"We have no automobiles, we have no refrigerators, we have nothing else. We've been showing you what would happen if OPA was done away with."

You can't escape this sort of enterprise. We can't for the life of us understand why some advertising agency doesn't give Chester the call. The imaginativeness which he has shown should make him tops.

Congressmen wring their hands when they tell of what Chester did about removing the ceiling price on citrus fruits. He did it with a grandiose gesture, they say, just as the holiday season approached and the citrus crop was at its lowest. Prices went up, Chester said, "I told you so."

Chester's propagandists have gotten to certain commentators who are proclaiming that he is the salvation of America. That is a pretty tenuous thread for America to hang upon. But you've got to admire the initiative and imaginativeness which he has shown. Take him away, some private industry. The American people have got to be getting along.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Jan. 2, 1946, figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Dec. 15, 1945, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Dec. 15 (in round-lot transactions) totaled 2,805,605 shares, which amount was 15.14% of the total transactions on the Exchange of 9,264,880 shares. This compares with member trading during the week ended Dec. 8 of 4,129,154 shares, or 15.11% of the total trading of 13,663,120 shares. On the New York Curb Exchange, member trading during the week ended Dec. 15 amounted to 2,805,605 shares or 13.43% of the total volume on that Exchange of 3,817,345 shares. During the week ended Dec. 8 trading for the account of Curb members of 1,631,535 shares was 14.04% of the total trading of 5,822,030 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED DECEMBER 15, 1945

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	242,230	
‡Other sales	9,022,650	
Total sales	9,264,880	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	895,070	
Short sales	138,670	
‡Other sales	675,300	
Total sales	813,970	9.22
2. Other transactions initiated on the floor—		
Total purchases	202,730	
Short sales	13,700	
‡Other sales	217,160	
Total sales	230,860	2.34
3. Other transactions initiated off the floor—		
Total purchases	246,500	
Short sales	61,100	
‡Other sales	355,375	
Total sales	416,475	3.58
4. Total—		
Total purchases	1,344,300	
Short sales	213,470	
‡Other sales	1,247,835	
Total sales	1,461,305	15.14

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED DECEMBER 15, 1945

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	41,090	
‡Other sales	3,776,255	
Total sales	3,817,345	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	312,020	
Short sales	23,340	
‡Other sales	285,405	
Total sales	308,745	8.13
2. Other transactions initiated on the floor—		
Total purchases	53,700	
Short sales	4,000	
‡Other sales	40,125	
Total sales	44,125	1.28
3. Other transactions initiated off the floor—		
Total purchases	57,960	
Short sales	6,100	
‡Other sales	242,425	
Total sales	248,525	4.02
4. Total—		
Total purchases	423,680	
Short sales	33,440	
‡Other sales	567,955	
Total sales	601,395	13.43
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	137,963	
Total purchases	137,963	
Total sales	152,421	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Commodity Wholesale Prices Up 0.1% in Week Ended Dec. 22, Labor Dept. Reports

Higher prices for agricultural commodities were responsible for a rise of 0.1% during the week ended Dec. 22 in the index of commodity prices in primary markets prepared by the Bureau of Labor Statistics, U. S. Department of Labor. The Bureau in making this known on Dec. 29, stated that "at 106.8% of the 1926 average, equal to the postwar high reached during the week ended Dec. 1, 1945, the index was 0.1% above four weeks ago and 2.1% above late December 1944." The advices from the Labor Department further said:

"**Farm Products and Foods**—Primary market prices for farm products rose 0.2% during the week because of higher prices for fresh fruits and vegetables. Quotations for apples advanced substantially with their usual seasonal movement accentuated by short supplies resulting from unfavorable weather. Prices for lemons rose sharply with larger sizes and better quality. Quotations for onions and sweetpotatoes rose and white potatoes were up more than seasonally with light supplies. Quotations for eggs decreased less than normally at this season because of reduced supplies of lower grade eggs. Prices for oranges were down slightly as smaller sizes moved to market. Quotations for grains dropped, with lower prices for oats and wheat. Rye quotations continued to advance on short supplies. Prices for steers were down on light demand and lighter weight animals on the market and lamb prices dropped with larger quantities of animals moved to markets. Quotations for ewes and wethers were up on continued demand and better quality of animals marketed.

"The advance of 2.0% in average prices of fruits and vegetables was responsible for the increase of 0.3% in the group index for foods. Average prices for foods were 0.1% below late November 1945, and 2.7% above the corresponding week of last year.

"**Other Commodities**—Average prices for all commodities other than farm products and foods remained unchanged during the week at a level 0.2% above that of a month earlier. Prices for ergot, which was removed from price control in October, advanced sharply with depletion of available stocks in this country and firm prices at foreign sources. Prices for Portland cement advanced fractionally and slight increases were reported for common brick, plaster, and plasterboard."

The Labor Department included the following notation in its report:

Note—The Bureau of Labor Statistics' wholesale price data, for the most part, represent prices in primary markets. In general, the prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week to week changes and should not be compared directly with the monthly index.

The following tables show (1) indexes for the past three weeks, for Nov. 24, 1945 and Dec. 23, 1944 and (2) percentage changes in subgroup indexes from Dec. 15, 1945 to Dec. 22, 1945.

WHOLESALE PRICES FOR WEEK ENDED DEC. 22, 1945

(1926 = 100)

Commodity Groups—	12-22 1945	12-15 1945	12-8 1945	11-24 1945	12-23 1944	Percentage changes to Dec. 22, 1945 from— 12-15 1945	11-24 1945	12-23 1944
All commodities	106.8	106.7	106.5	106.7	104.6	+0.1	+0.1	+2.1
Farm products	131.5	131.3	130.3	132.1	126.2	+0.2	—0.5	+4.2
Foods	108.6	108.3	108.1	108.7	105.7	+0.3	—0.1	+2.7
Hides and leather products	119.4	119.4	119.4	119.1	116.7	0	+0.3	+2.3
Textile products	100.6	100.6	100.6	100.5	99.0	0	+0.1	+1.6
Fuel and lighting materials	85.2	85.2	85.2	84.6	83.7	0	+0.7	+1.8
Metals and metal products	105.3	105.3	105.3	105.3	103.9	0	0	+1.3
Building materials	118.8	118.8	118.7	118.7	116.4	0	+0.1	+2.1
Chemicals and allied products	96.1	96.1	96.1	95.6	94.8	0	+0.5	+1.4
Housefurnishing goods	106.4	106.4	106.4	106.4	106.1	0	0	+0.3
Miscellaneous commodities	95.0	95.0	94.6	94.6	93.9	0	+0.4	+1.2
Raw materials	119.8	119.7	119.1	120.2	115.4	+0.1	—0.3	+3.8
Semimanufactured articles	96.9	96.8	96.8	96.8	94.7	+0.1	+0.1	+2.3
Manufactured products	102.6	102.6	102.5	102.3	101.3	0	+0.3	+1.3
All commodities other than farm products	101.3	101.3	101.3	101.1	99.8	0	+0.2	+1.5
All commodities other than farm products and foods	100.5	100.5	100.5	100.3	99.0	0	+0.2	+1.5

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM DEC. 15, 1945 to DEC. 22, 1945

Increases			
Fruits and vegetables	2.0	Brick and tile	0.1
Other farm products	0.5	Cement	0.1
Other building materials	0.2	Drugs and pharmaceuticals	0.1
Decreases			
Livestock and poultry	0.3	Other foods	0.3
Grains	0.2		

National Fertilizer Assn. Commodity Price Index Reaches New High Peak at Year's End

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Dec. 31, advanced in the week ended Dec. 29, 1945 to 142.3% of the 1935-1939 average, from 141.8 in the preceding week. This index, at the end of 1945, was at an all-time peak, but it was only 1.6% higher than it was at the end of 1944. A month ago the index stood at 141.2, and a year ago at 140.1, all based on the 1935-1939 average as 100. The Association's report went on to say:

Three of the composite groups of the index advanced during the latest week and one declined. The farm products group advanced with its three component subgroups all sharing in the rise. Cotton prices were up fractionally. The grain subgroup was also up slightly because of higher rye prices. The livestock index advanced substantially with higher quotations for cattle, calves, lambs, sheep, and poultry much more than offsetting lower quotations for eggs. The building material group showed a marked increase due to a rise in lumber prices. The farm machinery index advanced slightly. The food index declined fractionally. All of the remaining groups of the index were unchanged.

During the week 9 price series in the index advanced and 1 declined; in the preceding week 4 advanced and 2 declined; in the second preceding week 9 advanced and 5 declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Dec. 29, 1945	Preceding Week Dec. 22, 1945	Month Ago Dec. 1, 1945	Year Ago Dec. 30, 1944
25.3	Food	144.1	144.2	144.7	144.5
	Fats and Oils	146.6	146.6	146.6	144.6
	Cottonseed Oil	163.1	163.1	163.1	160.7
23.0	Farm Products	172.9	172.3	170.3	165.5
	Cotton	233.2	233.1	229.1	205.3
	Grains	167.3	167.1	167.3	158.9
	Livestock	166.4	165.5	162.0	161.5
17.3	Fuels	129.0	129.0	129.5	130.4
10.8	Miscellaneous Commodities	133.5	133.5	132.8	133.4
8.2	Textiles	159.3	159.3	160.9	155.8
7.1	Metals	110.2	110.2	110.2	105.8
6.1	Building Materials	158.4	154.7	154.7	154.0
1.3	Chemicals and Drugs	127.5	127.5	127.5	125.1
.3	Fertilizer Materials	118.2	118.2	118.2	118.3
.3	Fertilizers	119.9	119.9	119.9	119.9
.3	Farm Machinery	105.2	105.0	105.0	104.8
100.0	All groups combined	142.3	141.8	141.2	140.1

*Indexes on 1926-1928 base were: Dec. 29, 1945, 110.9; Dec. 22, 1945, 110.5, and Dec. 30, 1944, 109.1.

Poland Nationalizes Basic Industries

Formal nationalization by the Polish government of all basic industries occurred on Jan. 4 when the National Council of the Homeland (Parliament) ratified a decree giving the government control over every industry employing more than 50 persons a shift, according to delayed Associated Press advices from Warsaw on that date, published in the New York "Herald-Tribune" Jan. 7. According to these advices, among the enterprises affected were communications systems, banks, mines, factories and public utilities. The Associated Press also reported as follows:

"Minister of Industry Hilary Minc told the Council, which had been in session for a week, that 'there can be no political democracy without economic democracy. . . . Polish economy must be freed from the prison of cartels and foreign capital—that is the principal reason for the decree.'

"Citizens of Allied nations who have holdings in nationalized industries will be compensated with cash or bonds, Minc added. He did not estimate the amount of foreign holdings involved, but said that before the war foreign capital held 50 to 80% of most Polish industries.

"'We do not want to be a foreign colony,' he declared. 'We want to be an independent country in deed and fact.'

"Minc said that nearly one-third of all basic industries will pass to the state without reparations since they are former German properties.

"He declared that the Government will 'continue to support' private initiative but, he said, 'private industry will be able to function only by use of state-produced raw materials which it may obtain on condition of co-operation in the state production system.'

"Parliament also ratified an agreement with Russia establishing Poland's new eastern frontier.

"The Cabinet, meanwhile, voted to resume diplomatic relations with Austria and Hungary, ratified the Bretton Woods monetary stabilization plan and approved a reparations agreement with Czechoslovakia."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 3, 1946, a summary for the week ended Dec. 22 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Dec. 22, 1945

	Total For Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	29,158
Number of shares	851,192
Dollar value	$35,175,264
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	132
*Customers' other sales	28,733
Customers' total sales	28,865
Number of Shares:	
Customers' short sales	4,395
*Customers' other sales	808,599
Customers' total sales	812,994
Dollar value	$33,024,303
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	100
†Other sales	193,910
Total sales	194,010
Round-Lot Purchases by Dealers—	
Number of shares	214,430

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Daily Average Crude Oil Production for Week Ended Dec. 29, 1945, Declined 5,750 Barrels

The American Petroleum Institute estimates that the daily average gross cdure oil production for the week ended Dec. 29, 1945 was 4,473,900 barrels, a decline of 5,750 barrels per day from the preceding week and 232,000 barrels per day less than in the corresponding week of 1944. The current figure was also 68,100 barrels below the daily average figure of 4,542,000 barrels recommended by the Bureau of Mines for the month of December, 1945. Daily output for the four weeks ended Dec. 29, 1945 averaged 4,484,300 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,729,000 barrels of crude oil daily and produced 14,546,000 barrels of gasoline; 2,121,000 barrels of kerosine; 5,055,000 barrels of distillate fuel, and 8,765,000 barrels of residual fuel oil during the week ended Dec. 29, 1945; and had in storage at the end of that week 95,205,000 barrels of finished and unfinished gasoline; 10,201,000 barrels of kerosine; 36,651,000 barrels of distillate fuel, and 42,447,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements December	State Allowables Begin. Dec. 1	Actual Production			
			Week Ended Dec. 29, 1945	Change from Previous Week	4 Weeks Ended Dec. 29, 1945	Week Ended Dec. 30, 1944
Oklahoma	388,000	388,000	†390,850	+ 5,500	388,200	360,000
Kansas	268,000	249,400	†241,900	—14,550	251,350	271,100
Nebraska	800	----	†750	----	750	1,000
Panhandle Texas			81,000	----	81,000	88,750
North Texas			149,650	----	149,650	140,600
West Texas			465,800	----	465,800	471,350
East Central Texas			135,300	----	132,800	141,450
East Texas			307,000	----	307,000	371,000
Southwest Texas			314,550	----	314,550	345,450
Coastal Texas			469,100	----	469,850	552,950
Total Texas	1,940,000	‡2,029,706	1,922,400	----	1,920,650	2,111,550
North Louisiana			77,250	+ 650	76,350	71,000
Coastal Louisiana			295,300	----	295,300	289,600
Total Louisiana	365,000	406,000	372,550	+ 650	371,650	360,600
Arkansas	78,000	77,311	76,650	+ 750	76,100	80,750
Mississippi	48,000		53,950	— 450	54,200	52,100
Alabama	500		700	+ 600	400	200
Florida	----		100	----	50	50
Illinois	213,000		202.400	— 1,850	205,650	202,100
Indiana	13,500		13,400	+ 300	13,350	12,400
Eastern— (Not incl. Ill., Ind., Ky.)	65,200		53,950	— 2,100	57,450	57,750
Kentucky	29,000		29,550	+ 600	29,350	32,400
Michigan	47,000		44,700	----	45,350	52,050
Wyoming	92,000		91,450	+ 3,200	90,900	93,650
Montana	22,000		20,300	----	20,300	21,350
Colorado	20,000		20,450	— 550	20,700	9,950
New Mexico	102,000	104,000	97,850	— 50	97,900	103,200
Total East of Calif.	3,692,000		3,633,900	— 7,950	3,644,300	3,822,200
California	850,000	§824,000	840,000	+ 2,200	840,000	883,700
Total United States	4,542,000		4,473,900	— 5,750	4,484,300	4,705,900

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of December. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Dec. 26, 1945.

‡This is the net basic allowable as of Dec. 1 caculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 10 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED DEC. 29, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	Crude Runs to Stills % Operated	§Gasoline Produc'n at Ref. Inc. Nat. Blended	‡Finish'd and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks. of Resid. Fuel Oil
East Coast	99.5	774	97.9	1,650	20,145	3,546	11,753	6,850
Appalachian—								
District No. 1	76.8	87	59.6	298	3,010	338	609	273
District No. 2	81.2	62	124.0	193	1,165	51	137	190
Ind., Ill., Ky.	87.2	747	87.2	2,569	19,440	1,846	5,370	2,751
Okla., Kan., Mo.	78.3	394	84.0	1,489	8,536	623	2,124	1,086
Inland Texas	59.8	217	65.8	951	2,890	243	392	733
Texas Gulf Coast	89.3	1,180	95.4	3,959	16,736	1,728	5,848	5,114
Louisiana Gulf Coast	96.8	313	120.4	864	4,490	879	1,696	1,492
No. La. & Arkansas	55.9	55	43.7	167	1,777	313	491	335
Rocky Mountain—								
District No. 3	17.1	13	100.0	36	104	20	17	36
District No. 4	72.1	106	66.7	344	1,861	89	454	716
California	86.5	781	80.8	2,026	15,051	525	7,760	22,871
Total U. S. B. of M. basis Dec. 29, 1945	85.7	4,729	87.5	14,546	*95,205	10,201	36,651	42,447
Total U. S. B. of M. basis Dec. 22, 1945	85.7	4,611	85.3	14,768	91,870	10,666	38,919	41,479
U. S. B. of M. basis Dec. 30, 1944		4,828		15,189	†86,349	11,290	38,715	56,934

*Includes 7,925,000 barrels of unfinished gasoline stocks. †Includes 13,150,000 barrels of unfinished gasoline stocks. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 2,121,000 barrels of kerosine, 5,055,000 barrels of gas oil and distillate fuel oil and 8,765,000 barrels of residual fuel oil produced during the week ended Dec. 29, 1945, which compares with 1,927,000 barrels, 4,708,000 barrels and 8,539,000 barrels, respectively, in the preceding week and 1,484,000 barrels, 4,211,000 and 9,502,000 barrels, respectively, in the week ended Dec. 30, 1944.

NOTE—Separation into military and civilian grade discontinued, because of the increasing difficulty experienced by refiners in attempting to determine the ultimate disposition of these inventories.

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended Dec. 29, 1945 (Christmas week), as estimated by the United States Bureau of Mines, amounted to approximately 7,000,000 net tons, decrease of 3,980,000 tons, or 36.2%, from the preceding week. Output in the week ended Dec. 30, 1944 amounted to 8,433,000 tons. For the period from Jan. 1 to Dec. 29, 1945, soft coal production totaled 574,200,000 net tons, a decrease of 7.3% when compared with the 619,576,000 tons produced during the period from Jan. 1 to Dec. 30, 1944.

Production of Pennsylvania anthracite for the week ended Dec. 29, 1945, as estimated by the Bureau of Mines, was 638,000 tons, a decrease of 290,000 tons, or 31.3% from the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 137,000 tons, or 17.7%. The calendar year to Dec. 29, 1945 shows a decrease of 14.5% when compared with the corresponding period of 1944.

The Bureau also reported that the estimated production of beehive coke for the week ended Dc. 29, 1945 showd a decrease of 12,900 tons when compared with the output for the week ended Dec. 22, 1945; and was 9,500 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite:	Dec. 29 1945	*Dec. 22, 1945	Dec. 30, 1944	†Dec. 29, 1945	Dec. 30, 1944
Total, including mine fuel	7,000,000	10,980,000	8,433,000	574,200,000	619,576,000
Daily average	‡1,400,000	1,830,000	‡1,687,000	1,886,000	2,009,000

*Revised. †Subject to current adjustment. ‡Average based on five working days.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn Anthracite—	‡Dec. 29, 1945	§Dec. 22, 1945	Dec. 30, 1944	Dec. 29, 1945	Dec. 30, 1944	Dec. 31, 1937
*Total incl. coll. fuel	638,000	928,000	775,000	54,476,000	63,701,000	51,856,000
†Commercial produc.	612,000	891,000	744,000	52,299,000	61,153,000	49,263,000
Beehive coke—						
United States total	73,500	86,400	83,000	5,182,500	6,960,400	3,164,700

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Dec. 22, 1945	Dec. 15, 1945	Dec. 23, 1944
Alabama	334,000	411,000	326,000
Alaska	6,000	6,000	7,000
Arkansas and Oklahoma	97,000	103,000	94,000
Colorado	154,000	162,000	179,000
Georgia and North Carolina	1,000	*	*
Illinois	1,450,000	1,498,000	1,497,000
Indiana	495,000	539,000	600,000
Iowa	40,000	41,000	49,000
Kansas and Missouri	125,000	128,000	157,000
Kentucky—Eastern	895,000	1,054,000	863,000
Kentucky—Western	375,000	448,000	355,000
Maryland	40,000	42,000	30,000
Michigan	3,000	1,000	2,000
Montana (bitum. & lignite)	112,000	92,000	116,000
New Mexico	31,000	31,000	32,000
North & South Dakota (lignite)	75,000	75,000	58,000
Ohio	655,000	789,000	571,000
Pennsylvania (bituminous)	2,485,000	2,880,000	2,519,000
Tennessee	125,000	136,000	122,000
Texas (bituminous & lignite)	2,000	1,000	3,000
Utah	126,000	139,000	141,000
Virginia	345,000	353,000	314,000
Washington	31,000	34,000	30,000
†West Virginia—Southern	1,945,000	2,115,000	1,868,000
‡West Virginia—Northern	810,000	1,072,000	985,000
Wyoming	223,000	215,000	210,000
§Other Western States	*	*	*
Total bituminous & lignite	10,980,000	12,365,000	11,128,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Electric Output for Week Ended Jan. 5, 1946 13.2% Below That for Same Week a Year Ago

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Jan. 5, 1946, was approximately 3,845,000,000 kwh., which compares with 4,427,281000 kwh. in the corresponding week a year ago, and 3,758,942,000 kwh. in the week ended Dec. 29, 1945. The output for the week ended Jan. 5, 1946 was 13.2% below that of the same week in 1945.

PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR

	Week Ended			
Major Geographical Divisions—	Jan. 5	Dec. 29	Dec. 22	Dec. 15
New England	7.5	4.5	0.6	3.2
Middle Atlantic	6.7	4.8	2.4	2.7
Central Industrial	14.3	13.0	10.8	11.4
West Central	3.0	1.7	0.2	1.7
Southern States	15.5	15.3	11.6	12.3
Rocky Mountain	5.4	1.2	0.5	1.3
Pacific Coast	19.7	14.1	9.8	10.8
Total United States	13.2	11.0	8.2	9.0

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change under 1944	1943	1932	1929
Sept. 1	4,137,313	4,414,735	— 6.3	4,350,511	1,423,977	1,674,588
Sept. 8	3,909,408	4,227,900	— 7.5	4,229,262	1,476,442	1,806,259
Sept. 15	4,106,187	4,394,839	— 6.6	4,358,512	1,490,863	1,792,131
Sept. 22	4,018,913	4,377,339	— 8.2	4,359,610	1,499,459	1,777,854
Sept. 29	4,038,542	4,365,907	— 7.5	4,359,003	1,505,216	1,819,276
Oct. 6	4,028,286	4,375,079	— 7.9	4,341,754	1,507,503	1,806,403
Oct. 13	3,934,394	4,354,575	— 9.6	4,382,268	1,528,145	1,798,633
Oct. 20	3,914,738	4,345,352	— 9.9	4,415,405	1,533,028	1,824,160
Oct. 27	3,937,420	4,358,293	— 9.7	4,452,592	1,525,410	1,815,749
Nov. 3	3,899,293	4,354,939	—10.5	4,413,863	1,520,730	1,798,164
Nov. 10	3,948,024	4,396,595	—10.2	4,482,665	1,531,584	1,793,584
Nov. 17	3,984,608	4,450,047	—10.5	4,513,299	1,475,268	1,818,169
Nov. 24	3,841,350	4,368,519	—12.1	4,403,342	1,510,337	1,718,002
Dec. 1	4,042,915	4,524,257	—10.6	4,560,158	1,518,922	1,806,225
Dec. 8	4,096,954	4,538,012	— 9.7	4,566,905	1,563,384	1,840,863
Dec. 15	4,154,061	4,563,079	— 9.0	4,612,994	1,554,473	1,860,021
Dec. 22	4,239,376	4,616,975	— 8.2	4,295,010	1,414,710	1,637,683
Dec. 29	3,758,942	4,225,814	—11.0	4,337,287	1,619,265	1,542,000

Week Ended—	1946	1945	% Change under 1945	1944	1932	1929
Jan. 5	*3,845,000	4,427,281	—13.2	4,567,959	1,602,482	1,733,810

*Preliminary.

Fiduciary Court Bond Rates Reduced

Through efforts of the Insurance and Protective Committee of the American Bankers Association, premiums on corporate fiduciary court bonds have been reduced 33⅓% in cases in which "a bank or trust company acts as joint or sole fiduciary or where an individual acts as a joint fiduciary with a bank or trust company whether bonded or not," according to the current December issue of the Association's "Trust Bulletin." The reduction became effective as of Nov. 23, 1945, and was announced by the Towner Rating Bureau, which represents the surety companies to establish and, when necessary, revise premium rates on a variety of fidelity, forgery and surety bonds. Discussing the reduction in fiduciary court bond rates, the ABA Trust Bulletin said: "It should be noted that this reduction of 33⅓% applies only to bonds of corporate fiduciaries or of individuals who are serving as co-fiduciaries with a bank or trust company and does not apply to individuals who are serving alone. Thus it gives some recognition to the financial responsibility of trust institutions and the legal safeguards which surround their trust assets.

"Only 19 or 20 states require trust institutions to furnish bonds for the performance of their fiduciary duties. The loss experience under the fiduciaries' court bonds has not previously been segregated as between corporate fiduciaries and individual fiduciaries, but in response to the suggestion of the ABA Insurance and Protective Committee, the Towner Rating Bureau has agreed to segregate such losses.

"Irrespective of this rate reduction, however, an effort should be made through state bankers and trust associations in the states which still require trust institutions to furnish bonds in their fiduciary capacities, to secure amendments to state laws which will relieve estates administered by corporate fiduciaries of the cost of court bonds. This relief from burdensome costs is enjoyed by beneficiaraies of estate and trusts administered by trust institutions in no less than 28 states and the District of Columbia and should be extended to the other states."

Change in Location of ABA Headquarters

The New Year week-end was "moving day" for the American Bankers Association, which opened for business in its new home in New York City at 12 East 36th Street, corner of Madison Avenue, on the first business day of 1946. The new location of the ABA headquarters is four blocks south of the old one. The telephone number remains unchanged—Murray Hill 5-5100. The move was undertaken to secure more space needed for the activities and services of the Association, which have grown so tremendously during the past several years. In addition to providing needed space, the new quarters also offer the advantage of making it possible to concentrate on one floor the Association departments scattered over three floors at the old location. More efficient operation is expected to result. The layout of the new quarters has been especially designed for the needs of the ABA. In general it follows the pattern of modern banking floor design. Number 12 East 36th Street is the fourth address the ABA has had in its 71 years of existence. It has been at the last address 15 years.

Revenue Freight Car Loadings During Week Ended Dec. 29, 1945 Off Because of Holiday

Loading of revenue freight for the week ended Dec. 29, 1945, totaled 506,151 cars, a decrease below the corresponding week of 1944 of 78,725 cars, or 13.5%, and a decrease below the same week in 1943 of 137,293 cars or 21.3%, the Association of American Railroads announced on Jan. 4, 1946. (Both 1945 and 1944 included Chirstmas holiday and 1943 included New Year).

Loading of revenue freight for the week of Dec. 29, decreased 182,149 cars, or 26.5% below the preceding week.

Miscellaneous freight loading totaled 234,690 cars, a decrease of 73,945 cars below the preceding week, and a decrease of 61,253 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 87,663 cars, a decrease of 17,576 cars below the preceding week, but an increase of 4,115 cars above the corresponding week in 1944.

Coal loading amounted to 100,906 cars, a decrease of 57,002 cars below the preceding week, and a decrease of 14,583 cars below the corresponding week in 1944.

Grain and grain products loading totaled 34,886 cars, a decrease of 10,900 cars below the preceding week and a decrease of 1,201 cars below the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Dec. 29 totaled 23,218 cars, a decrease of 8,934 cars below the preceding week and a decrease of 1,857 cars below the corresponding week in 1944.

Livestock loading amounted to 11,532 cars, a decrease of 5,475 cars below the preceding week but an increase of 1,121 cars above the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of Dec. 29 totaled 8,595 cars a decrease of 4,088 cars below the preceding week, but an increase of 1,148 cars above the corresponding week in 1944.

Forest products loading totaled 15,841 cars a decrease of 15,249 cars below the preceding week and a decrease of 5,589 cars below the corresponding week in 1944.

Ore loading amounted to 7,715 cars, a decrease of 1,917 cars below the preceding week and a decrease of 1,208 cars below the corresponding week in 1944.

Coke loading amounted to 12,918 cars a decrease of 85 cars below the preceding week, and a decrease of 127 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding weeks in 1944 and 1943.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
4 Weeks of May	3,452,977	3,441,616	3,363,195
5 weeks of June	4,364,662	4,338,886	4,003,393
4 Weeks of July	3,378,266	3,459,830	3,455,328
4 Weeks of August	3,240,175	3,576,269	3,554,694
5 Weeks of September	4,116,728	4,424,765	4,456,466
4 Weeks of October	3,150,712	3,598,245	3,607,851
4 weeks of November	3,207,035	3,364,903	3,304,830
Week of December 1	803,770	807,836	862,733
Week of December 8	776,375	793,156	823,311
Week of December 22	688,300	762,972	641,036
Week of December 29	506,151	584,876	643,444
Total	41,901,051	43,408,295	42,439,951

Total loadings by commodities in 1945 compared with 1944 follow:

	1945	1944	% Change
Grain and grain products	2,734,303	2,520,733	+ 8.5
Livestock	893,696	892,145	+ 0.2
Coal	8,294,375	8,889,518	— 6.7
Coke	694,613	750,685	— 7.5
Forest products	2,039,375	2,271,450	—10.2
Ore	2,474,436	2,648,589	— 6.6
Merchandise, L.C.L.	5,525,749	5,427,928	+ 1.8
Miscellaneous	19,244,494	20,007,247	— 3.8
Total	41,901,051	43,408,295	— 3.5

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Dec. 22, 1945. During this period only 36 roads reported gains over the week ended Dec. 23, 1944.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED DEC. 22

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944
Eastern District—					
Ann Arbor	368	299	195	1,296	1,476
Bangor & Aroostook	2,693	2,458	1,753	304	490
Boston & Maine	6,655	6,514	5,511	10,870	14,168
Chicago, Indianapolis & Louisville	927	1,272	1,280	1,737	1,978
Central Indiana	23	31	26	35	55
Central Vermont	1,117	1,025	957	2,205	1,998
Delaware & Hudson	4,299	4,818	4,674	9,656	12,549
Delaware, Lackawanna & Western	5,917	7,521	6,113	6,405	9,970
Detroit & Mackinac	254	172	116	140	111
Detroit, Toledo & Ironton	1,945	1,507	1,870	1,338	1,635
Detroit & Toledo Shore Line	300	325	267	2,639	2,892
Erie	9,597	11,876	10,115	12,888	17,579
Grand Trunk Western	2,746	3,651	3,471	7,200	8,227
Lehigh & Hudson River	142	169	167	1,984	2,450
Lehigh & New England	1,774	1,764	1,518	1,229	1,094
Lehigh Valley	6,552	7,818	6,831	6,129	11,736
Maine Central	2,760	2,443	1,873	3,749	4,113
Monongahela	4,349	5,384	4,828	232	354
Montour	2,247	2,210	1,711	15	16
New York Central Lines	37,504	44,724	37,555	44,389	51,533
N. Y., N. H. & Hartford	9,528	8,837	7,691	11,907	17,163
New York, Ontario & Western	805	929	892	2,193	3,027
New York, Chicago & St. Louis	4,715	6,409	5,445	12,266	15,304
N. Y., Susquehanna & Western	440	530	457	1,823	2,223
Pittsburgh & Lake Erie	6,488	7,469	6,546	5,970	7,189
Pere Marquette	4,500	4,573	3,845	6,153	7,409
Pittsburgh & Shawmut	703	719	727	7	4
Pittsburg, Shawmut & North	214	235	245	178	265
Pittsburgh & West Virginia	754	818	894	1,690	2,378
Rutland	368	328	263	756	880
Wabash	5,350	5,765	4,994	10,334	12,940
Wheeling & Lake Erie	4,268	4,713	3,715	3,227	4,146
Total	130,302	147,306	126,545	170,944	217,352
Pocahontas District—					
Chesapeake & Ohio	25,679	24,036	20,554	10,033	11,239
Norfolk & Western	19,512	18,092	15,865	6,143	7,977
Virginian	4,340	3,975	3,258	1,372	2,635
Total	49,531	46,103	39,677	17,548	21,851
Allegheny District—					
Akron, Canton & Youngstown	540	746	638	1,101	1,307
Baltimore & Ohio	36,291	41,022	31,384	22,057	26,781
Bessemer & Lake Erie	1,688	2,153	2,099	1,216	1,485
Buffalo Creek & Gauley	†	†	268	†	†
Cambria & Indiana	1,428	1,508	1,298	2	9
Central R. R. of New Jersey	5,048	6,032	5,463	14,238	18,339
Cornwall	*411	423	486	*49	50
Cumberland & Pennsylvania	286	153	172	13	8
Ligonier Valley	19	75	114	5	28
Long Island	1,326	1,509	1,011	3,881	4,263
Penn-Reading Seashore Lines	1,330	1,640	1,334	1,571	2,310
Pennsylvania System	64,592	73,676	63,473	51,275	59,832
Reading Co.	12,093	13,979	12,093	23,487	26,833
Union (Pittsburgh)	16,604	17,713	18,753	2,643	3,007
Western Maryland	3,613	3,574	3,255	10,701	12,549
Total	145,269	164,203	141,841	132,239	156,801
Southern District—					
Alabama, Tennessee & Northern	224	275	297	209	358
Atl. & W. P.—W. R. R. of Ala.	650	728	652	1,865	3,410
Atlanta, Birmingham & Coast	673	722	584	1,158	1,232
Atlantic Coast Line	11,619	12,685	10,859	8,859	12,778
Central of Georgia	3,244	3,685	3,115	3,352	6,123
Charleston & Western Carolina	344	460	305	1,296	2,008
Clinchfield	1,480	1,502	1,299	2,923	3,159
Columbus & Greenville	294	357	200	292	260
Durham & Southern	65	142	110	774	670
Florida East Coast	2,940	2,700	2,122	1,437	1,502
Gainesville Midland	54	56	40	99	112
Georgia	787	1,095	862	1,869	3,032
Georgia & Florida	317	365	315	682	735
Gulf, Mobile & Ohio	3,904	4,440	3,342	3,680	4,128
Illinois Central System	24,050	26,880	23,427	13,763	16,987
Louisville & Nashville	22,348	23,217	18,979	8,718	11,999
Macon, Dublin & Savannah	147	236	177	898	911
Mississippi Central	262	342	277	387	518
Nashville, Chattanooga & St. L.	2,435	3,039	2,603	3,671	4,595
Norfolk Southern	1,041	950	804	1,210	1,644
Piedmont Northern	417	462	279	1,417	1,217
Richmond, Fred. & Potomac	209	413	301	8,875	11,106
Seaboard Air Line	10,304	10,090	8,032	7,485	9,324
Southern System	22,079	24,017	19,192	22,426	24,932
Tennessee Central	459	631	506	774	787
Winston-Salem Southbound	123	171	108	866	1,009
Total	110,469	119,660	98,787	98,985	124,536
Northwestern District—					
Chicago & North Western	14,540	14,675	11,980	11,455	13,354
Chicago Great Western	2,658	2,516	2,327	2,574	3,044
Chicago, Milw., St. P. & Pac.	18,998	21,101	17,059	8,847	12,104
Chicago, St. Paul, Minn. & Omaha	3,959	3,532	3,140	3,520	3,762
Duluth, Missabe & Iron Range	1,242	1,163	974	268	180
Duluth, South Shore & Atlantic	629	607	625	367	524
Elgin, Joliet & Eastern	7,645	8,617	7,554	9,089	11,962
Ft. Dodge, Des Moines & South	389	373	295	88	93
Great Northern	10.856	12,130	9,470	4,346	5,723
Green Bay & Western	453	487	485	729	956
Lake Superior & Ishpeming	275	223	265	53	42
Minneapolis & St. Louis	2,128	1,985	1,903	1,824	2,391
Minn., St. Paul & S. S. M.	5,112	4,932	4,247	3,233	2,930
Northern Pacific	9,064	10,220	8,900	4,377	5,589
Spokane International	116	149	93	354	457
Spokane, Portland & Seattle	1,915	2,596	2,134	2,193	3,704
Total	79,979	85,306	71,451	53,317	66,815
Central Western District—					
Atch., Top. & Santa Fe System	21,301	25,145	19,819	8,722	13,371
Alton	*2,706	3,407	2,723	*3,039	4,397
Bingham & Garfield	582	447	424	100	73
Chicago, Burlington & Quincy	19,271	19,850	16,206	9,277	12,831
Chicago & Illinois Midland	3,016	2,926	2,358	783	985
Chicago, Rock Island & Pacific	12,324	12,552	9,528	11,204	11,437
Chicago & Eastern Illinois	2,432	2,641	2,200	2,828	4,985
Colorado & Southern	617	666	507	1,700	2,167
Denver & Rio Grande Western	2,918	3,955	3,157	4,056	6,329
Denver & Salt Lake	909	749	618	45	16
Fort Worth & Denver City	709	823	499	1,130	1,121
Illinois Terminal	*1,874	2,332	1,519	*1,320	1,839
Missouri-Illinois	791	876	817	427	446
Nevada Northern	1,372	1,602	1,524	112	98
North Western Pacific	699	688	565	739	1,089
Peoria & Pekin Union	18	25	27	0	0
Southern Pacific (Pacific)	26,092	29,024	22,762	9,851	14,818
Toledo, Peoria & Western	0	319	220	0	2,119
Union Pacific System	15,821	16,679	13,283	11,511	16,005
Utah	833	531	543	5	1
Western Pacific	1,974	2,010	1,736	3,214	3,546
Total	116,259	127,247	101,035	70,063	97,673
Southwestern District—					
Burlington-Rock Island	449	276	271	729	633
Gulf Coast Lines	4,242	6,256	4,989	2,199	2,639
International-Great Northern	1,699	2,434	1,740	3,672	3,685
Kansas, Oklahoma & Gulf	‡	‡	300	‡	‡
Kansas City Southern	2,387	4,963	4,547	2,554	2,833
Louisiana & Arkansas	2,415	3,120	2,890	2,426	2,551
Litchfield & Madison	335	281	307	1,018	1,313
Midland Valley	1,252	1,452	720	1,847	1,631
Missouri & Arkansas	138	175	149	209	513
Missouri-Kansas-Texas Lines	5,047	6,139	5,078	3,223	5,388
Missouri Pacific	14,493	16,802	14,254	12,812	18,522
Quanah Acme & Pacific	83	99	68	166	271
St. Louis-San Francisco	8,272	9,483	6,924	6,840	8,147
St. Louis-Southwestern	2,528	3,635	2,445	4,261	7,118
Texas & New Orleans	8,635	11,878	11,664	4,905	5,714
Texas & Pacific	4,371	6,035	5,282	5,592	7,730
Wichita Falls & Southern	83	78	63	51	32
Weatherford M. W. & N. W.	62	41	9	9	33
Total	56,491	73,147	61,700	52,513	68,753

*Previous week's figure. †Not reporting. ‡Included in Midland Ry.
NOTE—Previous year's figures revised.

Commercial Paper Outstanding

Reports received by the Federal Reserve Bank of New York from commercial paper dealers show a total of $156,100,000 of open market paper outstanding on Nov. 30, 1945, compared with $127,100,000 on Oct. 31, 1945, and $166,900,000 on Nov. 30, 1944.

Following are the totals for the last two years:

1945—	$	1944—	$
Nov 30	156,100,000	Nov 30	166,900,000
Oct 31	127,100,000	Oct 31	141,700,000
Sep 28	111,100,000	Sep 29	140,800,000
Aug 31	110,200,000	Aug 31	140,900,000
July 31	106,800,000	July 31	142,900,000
Jun 29	100,800,000	Jun 30	136,500,000
May 31	102,800,000	May 31	150,700,000
Apr 30	118,600,000	Apr 29	171,500,000
Mar 30	146,700,000	Mar 31	194,800,000
Feb 28	157,300,000	Feb 29	213,700,000
Jan 31	162,400,000	Jan 31	208,900,000
1944—		1943—	
Dec 30	166,000,000	Dec 31	202,000,000

Result of Treasury Bill Offering

The Secretary of Treasury announced on Jan. 7, that the tenders for $1,300,000,000 or thereabouts of 91-day Treasury bills to be dated Jan. 10 and to mature April 11, which were offered on Jan. 4, were opened at the Federal Reserve Bank on Jan. 7.

Total applied for, $2,259,444,000.

Total accepted, $1,316,060,000 (includes $62,460,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99.95; equivalent rate of discount approximately 0.376% per annum.

(51% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 10 in the amount of $1,310,993,000.

With respect to the previous issue of $1,300,000,000 of 91-day Treasury bills dated Jan. 3, and maturing Apr. 4, 1946, the Treasury on Dec. 28 disclosed these results:

The details of this issue are as follows:

Total applied for $2,904,956,000.

Total accepted, $1,302,898,000 (includes $38,461,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.906; equivalent rate of discount approximately 0.373% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(22% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 3 in the amount of $1,310,468,000.

Parcels to China, Danzig

Postmaster Albert Goldman announced on Dec. 31 receipt of information from the Post Office Department at Washington 25, D. C., that effective at once, ordinary parcel-post service is extended to all of China, except Manchuria and the Provinces of Shansi, Suiyuan, and Chahar.

On the some day Postmaster Goldman reported that advices from the Post Office Department at Washington 25, D. C., indicated that effective at once, regular mail and parcel post for Danzig may be accepted for mailing subject to the rates and conditions applicable to Poland.

Lumber Movement—Week Ended Dec. 29, 1945

According to the National Lumber Manufacturers Association lumber shipments of 417 mills reporting to the National Lumber Trade Barometer were 21.0% above production for the week ending Dec. 29, 1945. In the same week new orders of these mills were 29.1% above production. Unfilled order files of the reporting mills amount to 85% of stocks. For reporting softwood mills, unfilled orders are equivalent to 29 days' production at the current rate, and gross stocks are equivalent to 33 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 3.7%; orders by 6.1%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 34.0% less; shipments were 38.6% less; orders were 41.9% less.

Items About Banks, Trust Companies

(Continued from page 173)

before and $152,921,563 a year before. Total loans and bills purchased were $35,896,787 against $32,214,119 and $32,378,210, respectively.

The statement showed surplus of $5,400,000, an increase of $200,000 since Sept. 30 and of $400,000 since the end of 1944. Undivided profits were $1,592,639 against $1,571,335 on Sept. 30 and $1,477,644 on Dec. 30, 1944. Capital of $8,200,000 was unchanged.

At the annual meeting of stockholders of the Brooklyn Trust Company on Jan. 7 four trustees whose terms expired were re-elected for three-year terms. They were John Gemmell, Jr., Charles Pratt, A. Augustus Low and Joseph Michaels, Jr. Ogden White, who had been elected a trustee during the year to fill a vacancy, was re-elected for a one-year term.

Kings County Trust Company, of Brooklyn, reported earnings of $150.19 per share for the year 1945 as against $131.15 for the previous year. William J. Wason, Jr., is President of the company. Surplus and undivided profits at the end of 1945 were $7,672,514, as against $7,321,545 on Dec. 31, 1944. During the year four quarterly dividends of $20 per share each were paid, or a total of $80 per share. Deposits amounted to $61,136.554 Dec. 31, 1945, and holdings of U. S. Government securities were $31,071,970. Cash on hand amounted to $2,775,123 and in banks aggregated $21,221,505. During the year surplus was increased $500,000, to $7,000,000, while capital remained unchanged at $500,000.

The Palisades Trust and Guaranty Company, of Englewood, N. J., transferred $150,000 to surplus account from undivided profits on Dec. 31, thereby increasing surplus account from $450,000 to $600,000, it was announced by Douglas W. Morgan, President. Total capital funds now amount to $1,010,272, consisting of capital $300,000, surplus $600,000 and undivided profits $110,272. The bank also reported deposits of $16,661,027 as of Dec. 31, 1945, against $13,304,773 last year; total resources of $17,776,469 compared with $14,256,154; cash and U. S. Government bond holdings of $15,280,657 against $12,173,742, and loans and discounts of $1,179,839 compared with $932,825 on Dec. 31, 1944.

The statement of the Philadelphia National Bank, of Philadelphia, Pa., for the period ended Dec. 31, 1945, shows deposits on that date of $806,759,816, consisting of $168,067,067 of U. S. Treasury deposits and $638,692,749 representing all other deposits. This compares with deposits of $733,795,439 — $88,172,699 U. S. Treasury deposits and $645,622,740 covering all other deposits—reported on Sept. 29, 1945. Total resources Dec. 31, 1945, amounted to $868,517,977, compared with $792,868,585 at the end of September; cash and due from banks aggregated $194,761,881, compared with $184,365,762; U. S. Government securities, $523,752,891, against $465,948,637; State, county and municipal securities were $13,895,392, against $14,620,392; other securities, $40,022,270, against $36,118,022; loans and discounts, $90,873,216, compared with $88,705,277. The capital stock of the bank and the surplus at the end of December both remained unchanged at $14,000,000 and $28,000,000, respectively. Undivided profits were $12,443,740, compared with $11,796,862 at the end of September.

Net operating earnings of the Corn Exchange National Bank and Trust Company, Philadelphia, for 1945 were $1,173,457 after provision for taxes of $774,263. This was equivalent to $4.13 per share. This compares with $1,129,285 for 1944 after tax provision of $570,000.

Capital, surplus and undivided profits as of Dec. 31, 1945, were $18,022,604, compared with $14,930,021 as of Dec. 31, 1944. Total deposits as of Dec. 31, 1945, were $298,358,865, compared with total deposits as of Dec. 31, 1944, of $248,951,740.

Bank of America's, San Francisco, year-end statement of condition reveals that the bank has made progress in all departments of its activities with deposits, total resources, loans, securities investments and capital funds at new high levels. At Dec. 31, 1945, deposits totaled $5,339,307,000, an increase of $988,765,000 during the year. U. S. War Loan deposits, included in this total, amounted to $439,404,000. Total resources were $5,626,063,000, a gain of $1,016,939,000 over a year ago. Loans and discounts outstanding at the year-end aggregated $1,018,741,000, an increase of $124,305,000 over a year ago. Investments in securities amounted to $3,533,172,000, an increase of $793,108,000 over the previous year-end. The increase was chiefly in U. S. Government obligations which at Dec. 31 totaled $3,135,746,000, of which approximately $1,700,000,000 were due or callable within one year.

At Dec. 31, capital funds amounted to $229,594,000 after payment of $13,608,556 in dividends, as compared with $219,000,000 at the previous year-end after dividends of $10,408,570. Dividends were paid in 1945 at the rate of $1.60 a share on the common stock and $2 a share on the preferred stock. Earnings for the year were $45,591,000. From this total, $10,648,000 was reserved for depreciation of bank premises and other real estate and amortization of bond premiums and $450,000 was set up in reserves and applied to the revaluation of assets and absorption of losses other than loans. A profit-sharing bonus of $1,520,000 was provided for employees. From the earnings total there was also deducted an amount of $9,542,000 net, which was added to the "Reserve for Bad Debts." This reserve, a provision for losses which may develop in the future, stood at $18,106,000 at the year-end.

Deposits of Citizens National Trust & Savings Bank, of Los Angeles, as of Dec. 31, 1945, amounted to $363,171,661, the largest total heretofore published, amounting to an increase of $68,695,043 during the year, H. D. Ivey, President, revealed in a year-end statement. Loans show an increase over last year-end of $7,464,583 and the investment in U. S. Securities increased $52,642,105, the total now being $250,880.330. Total resources reached $377,665,879. Net operating earnings, after all expenses, reserves for taxes, depreciation, etc., were $4.68 a share. In addition to operating earnings, net recoveries and profits from sale of securities and other non-recurring sources were $2.43 a share.

Cable advices received from London by the New York representatives of Barclays Bank Limited are to the effect that the bank has declared dividends for the year 1945 similar to 1944; that is to say, 10% on the "A" stock and 14% on the "B" and "C" stock, which are the same dividends which have been distributed for many years. The net profits of Barclays Bank Limited for the year 1945 amounted to £1,740,594.3.7, an increase of some £67,000 over the figures for 1944 and with the amount brought forward from 1944, £656,576.13.8, makes a total of £2,397,170.17.3. Special appropriations from profits have been made as follows: £250,000 to Contingency Account, £350,000 to Premises Reserve Account, £41,651 to Staff Widows Fund.

Louis A. Albarracin, Second Vice-President of The Chase National Bank of New York, has returned from a business trip through South America where he visited many of the principal countries.

Two silver plaques were presented to The National City Bank of New York in connection with the opening on Dec. 10 of its Shanghai branch, closed since Dec. 6, 1941. The re-opening occasioned a spirit of celebration throughout the American - Chinese business community and an informal reception was held on the bank's premises at 41 Kiukiang Road. The silver plaques bearing inscriptions in Chinese translated read: "Leadership Obtained by Prompt Action" and "Mutual Benefit Through Financial Cooperation." They came, respectively, from Jian Chen, representing the Chinese Ministry of Finance, and T. N. Lee, General Manager of the Bank of Communications, Shanghai. National City has also reopened its branches in Hong Kong and Tientsin.

The Bank of Montreal announces that Cecil Trever Aulph has been appointed Second Agent of the bank at its New York office to succeed Walter H. Raikes, who has become Assistant to the General Manager at the head office in Montreal. Mr. Aulph for the past year has been Assistant Superintendent of the Bank's Ontario district, having previously served in Chicago as special representative and later as accountant at the Wall Street agency. He has had a wide and varied experience across Canada since he began his banking career in 1913. Mr. Aulph saw three years' army service in World War I.

At a meeting, Jan. 7, of the Board of Directors of Bankers Trust Co. of New York, Chester Baylis, Jr., was elected Trust Officer. Mr. Baylis graduated from Princeton in the Class of '29, going with Bankers Trust Co. in September of 1929. He served in the Personal Trust Administration Department for 10 years prior to joining the Navy in July, 1942. Mr. Baylis was a Lieutenant in the USNR when he received his discharge on Dec. 18, 1945.

The election of Edward W. Smith, Executive Vice-President of Clinton Trust Co., to the Presidency of the institution was announced on Jan. 7. He succeeds the late Lee S. Buckingham, who died on Jan. 2. Mr. Smith has been associated with the Clinton Trust Co. since its organization in 1929, serving first as Trust Officer, then as Treasurer and Vice-President, and for the past three years as Executive Vice-President in charge of operations. During his incumbency as Executive Vice-President, the bank's deposits have almost doubled. The directors recently voted to split the stock 2½ shares for 1 and to increase its capital in order to meet expanding business needs.

Announcement was also made on Jan. 7 of the election of four other officers of the bank: Theodore R. Schwarz, in charge of the 42nd Street branch, and James M. Cooke, head of the loan department, have been elected Vice-Presidents; Charles T. Potuzak, Auditor, has been elected Treasurer, and Nelson H. Cleverly has been elected Assistant Vice-President.

Mr. Buckingham, the late President, who at his death was 53 years of age, died of a heart attack at his home at Harrington Park, N. J. In the New York "Sun" of Jan. 3 it was stated:

"Mr. Buckingham was New York State Director of the Office of Price Administration from May until December 1942, resigning at the end of the year in accordance with an agreement made when he took the post. From March to May 1942 he was Acting Federal Rationing Administrator in New York City.

"He had been President of the Clinton Trust Co. since 1934 and had been with the institution since its formation in 1930. Before that he was with the Manufacturers Trust Co. He came to New York some 30 years ago.

"Born in Tiffin, Mr. Buckingham was a graduate of Heidelberg College in the Ohio city. He had been President of the New York Athletic Club for two years and was slated to be reelected on Jan. 8.

"Mr. Buckingham was a director of the American Realty Mortgage Corp. and a former President of the New York Credit Men's Association."

Of the 97 men and women employes and officers of Land Title Bank and Trust Co., of Philadelphia, who served in the armed forces and who saw action from Dakar to Okinawa, not one suffered the slightest wound and all are alive today, Percy C. Madeira, Jr., President, reported at the annual meeting of the bank's stockholders on Jan. 8. What makes this record even more remarkable is the fact that at least four—Joseph J. Donnelly, Noel Grover, Jr., Thomas B. Kennedy and Edgar Ward—were cited for conspicuous services. Mr. Madeira said that 25 of the 97 already have returned to the bank.

The Third National Bank of Nashville, Tenn., announces that the following officers of the bank have resumed their positions after their release from the armed forces of the United States, viz.: S. M. Fleming, Vice-President; G. A. Puryear, Asst. Vice-President; R. J. Bottoms, Asst. Cashier; J. R. Woodward, Asst. Cashier; W. J. Phillips, Asst. Cashier; Hayes A. Noel, Asst. Cashier.

Gets New FHA Post

Appointment of Franklin D. Richards to the newly created position of Assistant Commissioner, Field Operations, of the Federal Housing Administration was announced in Washington by Commissioner Raymond M. Foley. The appointment was effective Jan. 1. Mr. Richards became associated with the FHA in 1934 as the first State Director of Utah, with offices in Salt Lake City, where he was a practicing attorney. He was named Zone Commissioner, Zone IV, composed of the Mountain and Pacific Coast States, in 1941 with offices in Washington.

Mr. Foley also announced other changes in the Washington office, effective Jan. 1, 1946, as follows:

Walter L. Greene, previously serving as executive Assistant to the Commissioner, was named to succeed Mr. Richards as Zone Commissioner, Zone IV. He came with the FHA in August. 1934, serving in the Alabama office at Birmingham until transferred to the Washington office; Zone Commissioner Frederick A. Van Patten was transferred from Zone III to Zone II, composed of the Southern and Southwestern States, succeeding Kent R. Mullikin who has resigned to enter private business. He came with the FHA in 1937, first serving in the Washington office and later in the field before being appointed Zone Commissioner; George A. Bremer, previously serving as Assistant Zone Commissioner, was named Zone Commissioner, Zone III, composed of the North Central States. He came with the FHA in 1935 as chief underwriter of the Idaho office in Boise. John G. Rouse remains as Zone Commissioner, Zone I, composed of the Northeastern and Middle Atlantic States.

Twohy Quits FHLBA

The resignation of James Twohy, Governor of the Federal Home Loan Bank System, was announced on Jan. 1 by John H. Fahey, Commissioner of the Federal Home Loan Bank Administration.

Mr. Fahey also announced that Ralph H. Richards, President of the Federal Home Loan Bank of Pittsburgh, will become Acting Governor of the System, which is a reserve credit structure for home financing institutions.

"I have accepted Governor Twohy's resignation with reluctance and great regret," said Mr. Fahey. "His return to San Francisco to re-enter private business is another of the serious losses which the end of the war is bringing to the Government service." Mr. Fahey said in part:

"Mr. Twohy joined the Federal Home Loan Bank Board in 1934 to supervise the reconditioning operations of the Home Owners' Loan Corporation on the Pacfic Coast. Shortly thereafter he was called to Washington as Chairman of the Bank Board's Mortgagee Rehabilitation Division. In that assignment he directed the Board's program to help hard-hit financial institutions resume their normal home-financing functions.

"He then became regional manager of the Home Owners' Loan Corporation in San Francisco in charge of the Corporation's business in the nine western-most States. In its lending and liquidation operations, that region of the HOLC made a conspicuous record in relieving the widespread distress of homeowners and home-financing institutions without loss to the Government.

"He has served as Governor of the Federal Home Loan Bank System over the past six years, a period of unprecedented problems in Government and business during which the System had to be largely formed and organized. During these six years the combined assets of its member savings and loan associations and other thrift institutions increased from $4,664,050,000 to $8,215,000,000, and the System has taken shape in its own important field of home-mortgage finance as an outstanding example of collaboration between government and private business."

Mr. Richards, who will become Acting Governor of the Federal Home Loan Bank System, has been President of the Federal Home Loan Bank of Pittsburgh since 1934. He is a graduate and former member of the faculty of Ohio State University. A national authority on home finance, he was engaged in trade organization activities in the savings and loan field prior to his election as president of the Pittsburgh Home Loan Bank.

U. S. and Czechoslovakia Sign Air Accord

The signing on Jan. 3 by American Ambassador Laurence Steinhardt and Foreign Minister Jan Masaryk of a civil air transport agreement that promises to place Prague within 24 flight hours of New York and open the Balkans and Middle East to easy air approach, was made known in Associated Press advices from Prague on Jan. 3, which also had the following to say:

"The agreement stemmed from the International Civil Aviation Congress at Chicago in December, 1944. Mr. Steinhardt said it was the first to include all five of the so-called freedoms of the air embodied in the Chicago resolutions.

"Pan American Airways has already been assigned a route from the United States to London, Brussels, Prague and through the Balkans and Middle East to Calcutta. Survey flights have been completed."